



Brexit: the views of Cameron's counterparts

Brexit has become a distinct possibility. In 2014 David Cameron managed to win a referendum to keep one union together – will he be able to pull off the same trick to keep Britain in the EU? Keeping his EU partners on side will be key – but what are their negotiating positions?

George Candon is Senior Director at FTI Consulting in Brussels.

After surprising everyone, including himself, by winning the 2015 UK general election with an overall majority, the UK's prime minister David Cameron had no choice but to make good on his campaign promise to offer Britons a referendum on the UK's EU membership. Himself a supporter of the UK's continued membership of a reformed EU, he has to work hard to deliver the reforms that he can sell back to the British to convince them to stay. Having won the Scottish independence referendum to keep one union together, will he be able to save the integrity of another?

The UK's foreign secretary Philip Hammond has said that failure to deliver on "big areas of concern" will lead to losing the referendum, and David Cameron has asked his European partners to be "flexible and imaginative" towards British demands. European Commission president Jean-Claude Juncker has said that keeping the UK in the EU is a top priority. He has put his money where his mouth is by appointing Jonathan Faull, one of the top British officials in the Commission, to take charge of the pre-referendum negotiations.

EU leaders will work hard to avoid losing the UK. But whether they show the level of flexibility and imagination Cameron will eventually ask of them is the killer question. Some have already set down red lines. Others are frustrated at the seemingly unending demands for concessions from the UK and want to answer the 'British question' once and for all.

But to show flexibility they will also need to know what those demands are. The major topics are relatively well known: sovereignty, devolved powers and a greater role for national parliaments in EU decision making; protection for the City; less bureaucracy; protection for non-eurozone member states; and restrictions on freedom of movement. But the devil is in the detail, and Cameron is afraid that revealing his negotiating hand too early will put him in a double bind: it would allow detractors at home to dismiss them as too little, and it would remove any negotiating margin he has with his European counterparts. Cameron certainly does not want to go down as the prime minister that oversaw the UK's exit from the EU – which indeed could even precipitate the breakup of the UK he has worked so hard to save. His negotiations with his EU counterparts won't be easy. Here we examine the likely positions of some of the more critical players in those negotiations.

Germany

No reform proposal will have a chance without Germany’s approval, and Merkel wants the UK to remain in the EU: for her, the liberal and market-driven UK is an important counterbalance to more interventionist-oriented member states. Merkel is also worried about the global standing of an EU bereft of the UK, with its close links to the US and Commonwealth countries.



Where there’s a will there’s a way.



Angela Merkel

Merkel’s remark that “where there’s a will there’s a way” has been interpreted as a willingness to make important concessions. She has demonstrated this by saying that changing the rules to prevent abuse of social welfare systems is also in Germany’s interest. The Germans could also support a reduction in the EU bureaucracy, reform of the internal market and the return of some power to member states.

Germany’s vice-chancellor and economy minister Sigmar Gabriel has argued for a two-speed Europe: “a strong Europe requires countries that forge ahead, some – in particular France and Germany – need to move ahead, others can follow when they are ready. Not all have to join in everything”. Merkel herself has often discussed the idea of treaty reform to accelerate monetary union.

This could represent an opportunity for Cameron: not only could the British leverage a push for such reform to obtain further concessions, the prospect of a two-speed Europe that keeps the UK in but not involved in deeper integration could prove very appealing for the UK electorate – and answer the UK demand to get out of ‘ever-closer union’.

But Merkel has been as coy as Cameron in keeping her cards close to her chest, and there are some clear areas on which she’s not willing to concede – including freedom of movement and equal application of EU law across all members. Former German foreign minister Joschka Fischer has said that Merkel “will do nothing which will endanger the basic principles of the common market of the EU”.

Cameron should not rely on unequivocal German support as he sets out his demands.

France

Neither do the French want the British to leave, but just how far they are willing to go to keep their neighbours over the Channel is unclear. Foreign Minister Laurent Fabius said he “fears” a possible UK exit and considers “improvements in the field of employment” feasible. Like Germany’s Gabriel, the French president has also repeatedly argued for the need for France and Germany to forge ahead with deeper integration with a core set of countries. But his recent joint address with Merkel to the European Parliament seemed

to harden that line: François Hollande then said that “the only avenue possible for those who are not convinced of the EU is to simply leave the EU”.

If this rather sounded like adding fuel to the eurosceptic British fire, it is clearly a reflection of the frustration in certain member states like France with the perceived constant chipping away at the EU block by the UK. French economy minister Emmanuel Macron has warned Cameron that the UK could not just cherry-pick the benefits of EU membership without also sharing its obligations. Paris will not countenance questioning the EU’s founding principles.

The UK referendum could also spell trouble for Hollande domestically. The referendum is to be held at the latest in the second quarter of 2017, and France goes to the polls in presidential elections in April of that year. If it comes ahead of the French poll, a British vote to quit the EU would give succour to France’s anti-European right and left – particularly the Front National’s Marine Le Pen. But even if the referendum comes after the French elections, the political debate in UK will be closely followed on the other side of the Channel, and Hollande may find it expedient to soften his government’s relatively tough rhetoric on further concessions to keep the UK in.



The only avenue possible for those who are not convinced of the EU is to simply leave the EU.



François Hollande

The Netherlands

The gut reaction of most Dutch to an eventual Brexit is negative. Historically the Dutch have been close to the UK – a Dutchman was even once king of England. The Netherlands and the UK are both seafaring nations with a historic focus on international trade and an outward view on the world that goes far beyond the EU. Shell and Unilever are obvious examples of the several longstanding and successful business collaborations between the two nations.

The Dutch are also sympathetic to the need for EU reforms and reducing regulatory burdens – a job Dutch Commissioner Frans Timmermans is tasked with. Many saw Juncker’s awarding Timmermans this portfolio as a smart step in throwing a bone to the UK: as the Netherlands’ then minister of foreign affairs, Timmermans wrote a report on the balance of power between the EU and member states which has been widely quoted by the British as evidence of support for their position.

The Dutch prime minister Mark Rutte and his economically liberal VVD party are also close to the Conservatives, and he and Cameron have generally agreed on what ails the EU. The Dutch also realise that the UK provides an important counterweight in the EU balance of power – where they see Germany in the middle, and France and the UK with their respective allies on either side. Remove the UK and

the scale could tip dangerously away from the free market model with which the Dutch feel comfortable.

However the UK would do well not to presume unconditional Dutch support for its demands. While Rutte and Cameron can agree on the diagnosis, they disagree on the remedy. The Dutch are fundamentally committed Europeans – the last general election where the EU was the key campaign issue saw a clear swing away from Geert Wilders’ anti-European PVV (-9 seats) to the ardently pro-European D66 (+2). They are wary of meddling with basic EU liberties such as freedom of movement, value the internal market and don’t like opt-outs. It is also important to realise that, notwithstanding their ties with the UK, the Dutch are economically closer to Germany. If push ever did come to shove, they would choose affiliation with their immediate neighbours Benelux and Germany over their ties with the UK.

The Netherlands holds the EU Council presidency in the first half of 2016, which may make them an important broker in negotiations, depending on the timing of the referendum. While there will be understanding and elasticity on the part of the Dutch in meeting UK demands, the British would do well to be aware of their breaking point.

Ireland

Ireland’s historical and economic ties with the UK, as well as having the only EU land border with it, puts it in a unique position that will probably allow it to punch well above its weight in pre-referendum negotiations. An indication of how seriously the Irish are taking the prospect of a potential Brexit is reflected by Ireland’s prime minister Enda Kenny having set up a special task force within his own Department of the Taoiseach.

Relations between Ireland and the UK are now at an all-time high, as attested by the first British state visit to Ireland in 2011, reciprocated in 2014. This is in no small part due to the political stability achieved in Northern Ireland with the Good Friday Agreement. But that stability is fragile, and that very agreement assumed joint Irish and British membership of the EU. The Oireachtas (Irish parliament) Joint Committee on European Union Affairs has been vocal in its concerns over the consequences of an eventual Brexit on Northern Ireland and communities north and south of the border: it takes the issue so seriously that it is calling for an official role in pre-referendum negotiations.

The issue is complicated by the historic Common Travel Area stretching back over 90 years between Ireland and the UK, to which Brexit could well put an end. While some have called the prospect of re-established border controls on the island alarmist, Ireland would find it almost impossible to maintain the Common Travel Area with a UK outside the EU if it is to meet its own EU treaty obligations of guaranteeing freedom of movement. A post-Brexit UK government would likely face huge political pressure to curb immigration, and under the current free-movement agreement Ireland would be seen as a back door into the UK.

Vice-chair of the Oireachtas Joint Committee for the Implementation of the Good Friday Agreement, Joe O’Reilly TD has said that the very concept of introducing a border could “reactivate the old ‘partition mind-set’ and reinforce existing cultural divisions in the in the border

region”. Labour leader and Tánaiste (deputy prime minister) Joan Burton has said that the reestablishment of border controls between the republic and the north would be “abhorrent”.

The elephant in the room is of course the post-Brexit constitutional and political status of Northern Ireland itself. If there is no double-lock in the referendum (requiring a majority in all four UK constituent countries), a pro-EU Scotland may well break away from a UK – or, more likely, England – that has voted to quit. This will call into question the viability of Northern Ireland hanging on as an appendage to a rump UK. This could cause an existential crisis and political upheaval in Northern Ireland – the rationale for political unionism will have been significantly undermined if the very union that is at its origin no longer exists.

Burton has said that Brexit would be bad for Ireland and bad for the EU, and that “the all-island economy has benefited hugely from the Good Friday Agreement and the framework of our joint membership of the European Union”. In recent conversations with senior Irish diplomats in Brussels concerns about trade relations between Ireland and the UK in the event of Brexit were also strongly voiced. And justifiably so: a report by the think tank Open Europe estimates that the cost of Brexit to the Irish economy could be in the region of €6bn, or over 3% of the country’s GDP. Another report, for the Northern Ireland Assembly’s Enterprise Committee, estimates a similar economic hit of 3% for Northern Ireland, worth €1bn. That would take a total €7bn out of the island’s economy.



The Irish and UK economies are more integrated than Ireland is with the EU.



Colm McCarthy, economist

With €1bn worth of goods and services traded every week, the UK remains Ireland’s single biggest trading partner. As the economist Colm McCarthy put it, “the Irish and UK economies are more integrated than Ireland is with the EU”. A post-Brexit Ireland could begin to feel very isolated. Cut off from its neighbour by land border controls, it would start to feel adrift in the Atlantic. Some say that its status as the EU’s only English-language member state would bring economic benefits, but the economic hurt would probably far outweigh any such advantages. The old adage that when Britain sneezes Ireland gets a cold may hold less purchase today, but many have attributed Ireland’s remarkable post-crisis growth in part to the economic recovery witnessed in Britain. No-one in Ireland will want to imperil that, and the Irish government will work very hard to keep the UK firmly inside the EU.

Italy

In spite of not being immune to the rise of euroscepticism, Italians on the whole remain supportive of a strong EU. Italy’s premier Matteo Renzi and his finance minister Pier Carlo Padoan favour advancing towards the creation of an economic and political union and will not

give this away. While there is admiration in Italy for British pragmatism, there is also some frustration with a UK always wanting to change the rules of the game, and the Italian government would probably reject terms that impose less Europe on member states that want more integration. Many in Italy believe that a two-speed Europe could be a practical solution to accommodating a semi-detached UK within the EU – something Renzi’s predecessor, Letta, openly lobbied for.

The recent meeting between the Italian foreign minister Gentiloni and his UK counterpart should be read in that tradition. On that occasion they discussed a position paper that would clarify the distinction between eurozone countries and other EU member states and facilitate a two-speed solution. The paper may help Cameron claim a victory in halting progress towards an ever-closer union, at least for countries outside the eurozone.

Italy has more to lose than to gain from an eventual Brexit. The UK is not only an important economic partner for Italy, it is also a key ally in counterbalancing the influence of the still perceived Franco-German axis. The UK is also host to some 600,000 Italian workers, so although Italy will want to defend freedom of movement, it probably won’t do so at the expense of the UK’s EU membership that allows so many Italians to migrate there. We may then see some accommodation of British requests on limiting migrant benefits. In addition, without the UK in the EU, it is estimated that the third largest contributor to the EU budget would have to stump up an additional €1.4bn annually.

The fear of reinforcing eurosceptic and populist positions will also be a major concern for Renzi. An eventual Brexit would inevitably trigger a national debate that it is likely to benefit the opposition, especially the eurosceptic Five Star Movement, already the second-largest political force in the country.

Spain

Several elements of Cameron’s demands will be of concern for Spain. Treaty reform has traditionally been a red line for the Spanish, who do not like the idea of twisting fundamental EU principles into unrecognisable form.

The Spanish position on an eventual Brexit will become clearer following the general election taking place on 20 December this year. The current Spanish electoral landscape is the most uncertain since the first democratic elections of 1977, with no clear favourite in the polls. The traditional left-right split of the socialist PSOE and the conservative Partido Popular (PP) has been thrown wide open by the recent electoral successes of the new kids on the block: populist Podemos, and centre-right Ciudadanos.

The smart money is therefore on a coalition government. An alliance of the left (Podemos & PSOE) would likely remain pretty firm on British demands. Podemos leader Pablo Iglesias MEP has repeatedly made clear his rejection of restrictions on freedom of movement, and Cameron would have to convince an eventual Spanish government of the left that the UK’s commitment to control immigration is compatible with this fundamental EU right.

On the other hand, a centre-right coalition government of the PP & Ciudadanos could be more amenable to some of Cameron’s positions, especially in the area of EU labour migration and rights.

But the idea of opt-outs in justice and security would be extremely hard to swallow for such a government, given Spain’s exposure to terrorism, and especially that both the PP and Ciudadanos are campaigning hard on the issue of security. A rainbow alliance (eg PP & PSOE, or PSOE & Ciudadanos) might show the UK greater flexibility in justice and security matters.

Brexit would imply a further fiscal millstone also around Spain’s already indebted neck – Bertelsmann Stiftung, a German think tank, calculates an additional annual €906m in EU contributions as Spain’s share of the €8.64bn budget shortfall Brexit would imply. But this would pale in comparison with the internal political fallout that an eventual Brexit could cause: if it results in the break-up of the UK, with an independent Scotland re-joining the EU, from Madrid’s perspective this could set a dangerous precedent for Catalonia and the Basque country.

Poland

Poland has been traditionally concerned that Brexit would divide Europe, weaken transatlantic security cooperation and make it more difficult to face external threats together – particularly those on Poland’s east. The Law and Justice party that has just won an outright majority in the Polish general election will want to ensure enhanced security of the EU’s borders, and will likely turn up the rhetoric on Russia. It isn’t keen on too much regulation and the UK can probably rely on Poland’s support when it comes to cutting red tape. The Tories and Law and Justice also share common ground on defence of national sovereignty and their antipathy towards the euro. But while the two parties belong to the same political group in the European Parliament, this does not make them natural bedfellows on all issues.



Defending not just the principle but also the continued implementation of free movement of people will be one of Poland’s red lines.



Migration and immigration will be the key issue for Poland. In terms of extra-European immigration, Law and Justice is more aligned with the Conservatives and is against accepting refugees, counter to the EU’s streamlined approach. On the other hand, Poland is also the UK’s single biggest source of intra-EU migration, and with its 700,000-strong emigrant population in the UK, defending not just the principle but also the continued implementation of free movement of people will be one of Poland’s red lines. But like Italy, Poland is likely to be flexible on bending employment and benefit rules for the bigger prize of freedom of movement. Polish president Andrzej Duda has made clear he believes it possible to strike a deal with the UK on this.

Poland has proven to be a very tough negotiator, not afraid of protecting its interests, and Law and Justice are likely to be more gloves-off than their predecessors in government.

Best of the rest

The Nordic member states are not the cohesive bunch that that familiar moniker may suggest. The **Danes** have traditionally been less enthusiastic about the EU than the **Swedes**, and the country’s eurosceptic government will support Cameron on freedom of movement reforms. Both will be on the side of defending non-eurozone member states’ interests. Eurosceptic-turned-moderate, **Finland’s** foreign minister and deputy prime minister has said that without the UK the EU could crumble. He has openly backed Cameron’s renegotiations, and has said that if he were a Briton he would vote to remain in the EU. He echoed his finance minister’s statement that “without the United Kingdom there is no European Union”, which is why the Finnish government will give Cameron’s demands serious consideration.

Euroscepticism is growing in **Austria**, where a petition backed by over a quarter of a million voters obliged the country’s parliament to consider an in/out referendum in plenary. The referendum won’t happen, but the petition is an indication of how sentiment is changing, and the far-right eurosceptic and xenophobic Freedom Party wants to re-negotiate the basis of Austria’s EU membership *à la Cameron*. An eventual Brexit would give a fillip to these trends, which the liberal Austrian government will want to counter.

Hungary’s Viktor Orban was the only other European prime minister to vote alongside David Cameron against Jean-Claude Juncker’s appointment, and he has openly praised Cameron’s politics as “forthright and brave”. The country’s hardline stance on immigration gives it further common cause with Cameron’s position.

The business perspective

Many international companies that have heavily invested in the UK fear for its position as a gateway to the EU. Nissan, Ford, Toyota, Hitachi and others have warned of the risk to their investments in the UK should the country quit the EU. Companies such as BMW, Munich Re and Bosch have said they want the UK to stay. For many countries the stakes are pretty high: German companies employ some 370,000 people in the UK and their investments there represent almost as much as their investments in China, France and Italy combined.

There is widespread concern about the impact Brexit would have on the EU’s economy. A Grant Thornton survey of senior executives from

all industry sectors found that nearly two-thirds of those in the eurozone said Brexit would damage the European economy.

Many also point to Britain’s important role as an advocate for open markets and competition, arguing that inside the EU Britain is a force for positive change. For example, the American Chamber of Commerce to the European Union, a body representing US businesses in Europe, has spoken of the UK’s role in driving EU market-friendly reforms from within.

But business leaders in some member states are wary of too much reform to keep the UK on board. For example Confindustria, the Italian employers’ association, has advised the Italian government not to sign up to proposed UK commitments because, according to them, what the UK really means by cutting red tape is cutting back the EU. German businesses want the UK in, but not at any cost: for them, closer integration takes priority over UK membership. There is the same perception in business circles of Macron’s view that the UK is already enjoying all of the benefits while skipping on its obligations, creating an unlevel playing field. Some European business leaders have stated privately that the EU has already been bent too much to fit the UK mould and that the business potential of deeper integration is not being unleashed, just to mollify the British.

Conclusion

The different priorities, red lines and domestic considerations of EU leaders make negotiations somewhat unpredictable. The picture that emerges across Europe is one of a strong desire to keep the UK in the EU and of an openness to be flexible. But such flexibility will not extend to undermining the fundamentals of the EU itself. The patience of Cameron’s EU counterparts is not limitless.

Diehard British eurosceptics bent on Brexit will likely call for impossible pre-referendum concessions they know EU leaders will not be able to accept. To deliver a ‘stay’ vote Cameron will then have to push back in London on those impossible demands equally as hard as he tries to convince his European colleagues of the need for concessions. He will need a keen understanding of his European partners’ breaking points while providing leadership at home on what meaningful change is, and is achievable, and robustly defending the benefits of Britain’s EU membership. To say it won’t be easy is an understatement. It will be the biggest play of his political career.

With contributions from Lionel Benatia, Andrea Corazza, Alex Deane, Hans Hack, Daniel Hamilton, Darren Kinsella, Arne Koeppel, Pablo Lopez-Alvarez, Alejandro Sanchez and Justyna Slominska.

George Candon
+32 2 289 0955
george.candon@fticonsulting.com



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