

THE BROOKINGS INSTITUTION

BETTER IN THAN OUT?  
THE PROSPECTS FOR AN IMPLICATIONS OF "BREXIT"

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PANEL 1: INTERNAL IMPLICATIONS

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## P R O C E E D I N G S

MR. MENON: My first job, rather strangely, I'm Anand Menon from King's College in London, is to welcome you to Brookings. My second job is to thank Fiona, and particularly Jeremy, for once again proving wonderfully easy people to work with in arranging an event.

We're here for this session on the implications of a UK exit from the European Union. It's a joint event between Brookings on the one hand and the British Economic and Social Research Council on the other. The SRC is just launching a five-year program to try and apply the insights of social science to the relationship of the UK to the EU, whether or not the UK is going to leave, and what if it does, what are the implications of this both for the UK and for other countries?

And before I introduce the panel and ask them to make some remarks, I just thought I'd give you some background on what is going on in the UK at the moment, insofar as I understand it myself.

I think the first thing that's worth saying is that the anti-EU political movement can't be dismissed as it was for so long as simply a lunatic fringe that would go away in times of proper national elections. We had bi-elections in the UK yesterday in two seats. UK Independence Party won with a majority of 12,000. They were expected to win that one. Perhaps more interesting, in Heywood or Middleton, which is a Labour stronghold, you could cut the Labour lead to 600 votes. There was a swing away from Labour to UKIP of 18 percent. So UKIP have become a political force. The swing in Clacton-on-Sea was the biggest increase in share of votes by any party ever in a British bi-election. So even if you take onboard the usual caveats, it was a bi-election. Turnout was very low. There is something happening, and UKIP represents a threat to both parties and I think it's increasingly seen as such by both major parties.

So the political challenge is real. I also think the substantive challenge is real; that is to say there are genuine issues of concern in terms of the UK's relationship

with the European Union. There are issues to do with implications of integration in the Eurozone for countries that aren't in the Eurozone, and I think Damian will talk about that a bit later on.

There are concerns about the impact on the British welfare state of migrants from other EU member states. There are parts of the United Kingdom where hospitals genuinely cannot cope with the scale of recent immigration. There are questions about whether a welfare system that isn't based to the same extent as many others (inaudible) in the European Union on contributions should be applied in the way it is to migrants. I'm not saying that these concerns are well-founded. I'm saying that they're there and I think there is an element of truth to many of them.

And I think one of the problems of British politics when it comes to talking about the European Union, is that for many years, genuine concerns about issues like these on behalf of many people in many parts of the country have been too easily dismissed by a largely southeastern political elite. And one of the things about Britain is the massive division there is between the very prosperous southeast and the rest of the country. It's very striking that the headline economic figures that we're always presented with on the news about declining levels of unemployment in Britain, about growth in Britain; do not seem to apply to large swaths of the country because growth is so centered on this small section of it. And we see this in the UKIP support and various non-southeastern areas. And we see this in the fact that UKIP is virtually invisible in London because London is so prosperous.

Now, David Cameron, the British prime minister, has said he wants a renegotiation of the relationship with the European Union. On the back of this renegotiation he will hold a referendum. One of the things that's striking about this issue of renegotiation is that insofar as Cameron has made it clear what he wants, he will probably get all the things he wants with very, very few exceptions. So he said he wants to control immigration in the event of further UN enlargement. Jean-Claude Juncker said

there won't be any further enlargements in the next five years, so that's not going to be an issue that confronts us. He said he wants a limit on the ability of EU migrants to claim benefits. For that he has strong support amongst several other northern member states and it's almost certainly something on which they can negotiate a deal. He wants to cut EU red tape. The Commission has been doing that for 10 years, and there's been a marked drop-off in the volume of EU legislation since the Elizabethan Treaty. He wants to cut unnecessary European Court of Human Rights interference in Britain. Slightly odd because it's not an EU issue this one. But still, that can be kept separate from any negotiation about EU membership. He wants to stop more power flowing to Brussels. I don't think he'll have any trouble there because there's no appetite in any of the member states to give more power to Brussels right now, except perhaps in the area of Eurozone integration, which of course does not directly affect the UK.

And the final thing is he wants to abolish the notion of an ever-closer union. This is problematic if you see it in treaty terms, though if you read the conclusions of the European Council from last June, it was stated very clearly the ever-closer union might not mean that for all member states, which seems pretty close to a win for Cameron.

The point is, whatever Cameron says doesn't really matter because what really matters is his ability to persuade conservative back benches that he's got what they want, not that he's got what he wants. And here he faces a problem because normal conservative members of Parliament are increasingly hostile to membership of the European Union, and many of them, a significant chunk of them, maybe up to 100 I think, would probably vote for exit-whatever Cameron manages to renegotiate. And it's from this section of Parliament that the real political pressure is coming. And these people feel even more pressure to take this stance the more that UKIP advances in the poles.

Very quickly, a couple of last points. In terms of polling, the situation is very, very unstable. Lord Ashcroft, who is a prominent conservative donor but does very

good polls, did a very interesting poll just before the European Parliament elections in March, in which he found 4 in 10 in Britain want to stay in the European Union; 4 in 10 in Britain want to leave the European Union. So it's a very close situation. Three-quarters of the British population doubt that David Cameron can renegotiate our relationship successfully. So there's a great deal of skepticism about what the prime minister is trying to do. But only a third of even those most hostile to the European Union think it's the most important issue facing Britain today. So amongst the public, there isn't the same obsession with EU matters that there is against many conservative back benches. It's not the issue that dominates public debate within the United Kingdom.

One final word. I know you had an event here recently about Scotland. And I think the Scottish referendum has implications for both how we see a possible referendum on UK membership of the EU and on what happens. Forty-five percent of Scots voted to leave the United Kingdom, which by any measure is a staggering number, particularly when the economic case as it was presented came out so overwhelmingly against this. One of the things the Scottish vote did, I think, was to give a fillip to all insurgency parties, parties that threatened the existing elite, the political establishment, and that is explicitly what Nigel Farage and UKIP tried to do. They see themselves as the anti-politics party.

The Scottish vote also is a warning to those who say at the end of the day, when all the major political parties argue against UK exit, the people will listen. All the British political parties were out strongly against British independence, and all the national media came out against Scottish independence as well. And yet, 45 percent of the Scots voted for it. And the one crucial difference I think with a referendum on UK-EU membership is significant chunks of the popular press will favor exit, which absolutely wasn't the case in terms of Scotland.

The final thing I'll say about the implications of Scotland is this -- one of the things that has come from it is the debate about English political powers for English

people.

There was a very interesting report done by a London think tank last year which showed a massive direct correlation between feelings of Englishness and euroskepticism. The more people in the UK feel English, the more they are likely to oppose membership of the European Union. And the one thing that the Scottish debate is certain to do is to inflame feelings of Englishness, and I think that in itself will have significant implications.

That was all by way of context. By knowledge, we have three people who know far more about these things than I do. We have John Springford from the Centre for European Reform, Damian Chalmers from the London School of Economics, and your own Fiona Hill from Brookings here. I'm going to ask them to speak to you for five to 10 minutes each in that order and then we can hopefully have a discussion.

So John, over to you.

MR. SPRINGFORD: Thanks very much, Anand, and thank you to Brookings for having me. I realize on your program that it says Simon Tilford, who is my boss, and that we've got another tall, English person, with "ford" in their name, so what difference does it really make?

It might actually be a good thing that I'm here rather than Simon for one reason, which is I was the secretary to a commission which the Centre for European Reform set up to try and think about what the economic consequences of leaving the EU might be. And we thought -- we're a pro-European think tank generally. We thought, well, if it's the CER saying it's going to be a bad thing if we leave the EU, then it's a bit "dog bites man" basically.

So what we wanted to do was to bring onboard some of the leading economic thinkers really in Britain, to have a think about these questions. And some really quite big cheese were involved. So Martin Wolf, the FT economist was there; Peter Madison, who used to be the trade commissioner of the European Union. He was also

there. And we also had people like Richard Lambert. He used to be editor of the FT.

So while all those people are pro-Europeans, we are pro-European for a reason, and I thought I'd share some of our thoughts with you today, just to think about what the economic consequences of a Brexit might be. And broadly, our conclusion was there's no halfway house. It's not really possible for Britain to have a fantastic special new deal where it can have its cake and eat it. And this is the fundamental thinking of the euroskeptical right; that they can have the best bits of the EU -- i.e., economic integration, trade integration, more investment -- while escaping all of those pesky rules that come from Brussels.

And our central point is that this is a fundamental misunderstanding of what the single market is, what the EU single market is. So I know there's a very knowledgeable audience here, but I thought I'd just quickly run through what it is so everybody knows. It's basically a free trade agreement on steroids. You've got tariffs and quotas were eliminated decades ago, and since 1992, even before that, but really the program that started in 1992 has been an attempt to try and get rid of the trade barriers that arise from divergent regulations between the member states. And this is being done by Brussels, essentially trying to put together some minimum standards so that nobody feels like foreign dangerous goods are coming into their country and endangering them. And then allowing the principle of mutual recognition to operate above that so that as long as a country meets the minimum standards which the EU sets, then their goods can be sold in another member state.

So the first question that we set ourselves was has this process worked? Because if it hasn't worked, then it's just a lot of rulemaking for not much gain really. And the data shows pretty clearly that it has. So the first bit of data is if we look at trade costs. And the World Bank has this fantastic database where it can tell you what the trade costs are between two different countries. And so if you look at Britain and the rest of the EU, trade costs have fallen by about a fifth between 1995 and 2010. And then if you compare

that to Britain and the rest of the OECD, the non-European members of the OECD or with emerging economies that are growing very quickly, then trade costs are being pretty static actually. They've fallen a little but not very much.

And so these reduced trade costs show up in an expanding amount of trade between Britain and the rest of the EU. And one thing that we did -- I'm going to have to be a little Nate Silver-ish on you here -- is set up a gravity model which tries to look at what are the main determinants of trade between Britain and the rest of the EU? So we did this gravity model. And what gravity models tell you is that what really matters for the amount of trade that two countries do with each other, or two regions or whatever, is how close they are because then transportation costs are low; how rich they are, because then there's lots of demand, there's lots of general economic activity going on so there will be a lot of trade; and how many people there are, how many people are willing to buy products.

And so one would inevitably think from that kind of model that Britain would trade a great deal with the EU because it's rich in populous and nearby. But even taking that model's baseline of what Britain should be trading with the rest of the EU, there was a huge difference -- about 50 percent higher than what the model thought Britain's trade would be in the absence of any kind of integration.

And I'll just say two other things about whether the single market has worked, about investment and about the city of London. So in terms of foreign direct investment as a result of all of this trade then there is a lot of investment that goes on by European companies in Britain, and we've seen a very sharply rising amount of foreign direct investment.

So in 1997, companies from the rest of the EU owned about 30 percent of the stock of foreign direct investment in Britain, but by 2012, that had risen to 50 percent, and that's a very quickly rising stock of foreign direct investment, too.

And then the other area in terms of the city of London, which has seen a

lot of this foreign direct investment by the way, then we've seen an enormous amount of integration in terms of financial flows, the ownership of assets between the city and the rest of the EU. And particularly in the Eurozone, the city has become the wholesale financial center for the Eurozone, despite Britain not being a member of the single currency. And in 2012, for example, the value of UK-based banks' assets in the Eurozone was about 70 percent higher than it was in the US.

So when you put these kinds of figures to the Eurosceptic right and then quite often they will turn around and say, well, that's fine, but the problem is that because the rest of the EU is much more willing to regulate their economies than Britain is -- Britain being a relatively -- or calls itself at least a relatively free market liberal kind of country. And then all of these minimal standards that Brussels imposes on Britain's economy ties up in red tape. So we tried to tackle that question empirically, too. And one way you can do that is to look at the OECD indices of how much companies regulate their economies.

And in terms of product market, Britain is the second-least regulating country in the world after the Netherlands. The US is third or fourth, I think. And in terms of labor markets, they also do some indices for labor markets. It's down there with the US and Canada. So it doesn't really follow that the rule from Brussels is imposing large regulatory costs on the British economy.

So moving on to what the consequences of Brexit might be, given the fact that we've seen so much economic integration, broadly speaking, we were against attempts to try and quantify what the potential costs might be because we don't know what the terms of exit will be. But we tried to impress upon the debate the point that there's a central tradeoff involved in Brexit and the negotiations that are going to happen if Britain votes to leave the EU. And on the one side of the tradeoff there's the possibility to maintain unimpeded access to the single market in order to be able to secure those gains. But the consequence of that will be that Britain will have to sign up to all of the

rules of the single market and Britain will have much less say of what those rules will be.

And of course, the flip side of that tradeoff therefore is that Britain could go for regulatory sovereignty and say we are going to have the freedom to set our own rules and standards and regulate our economy as we see fit, but the consequence will be diminished access to the single market, and therefore, reduced trade and investment. And that's the fundamental choice that Britain faces.

How do we know this? Well, there's basically two options which have been circulating in the British debate. One is the Norwegian option and the other is the Swiss option. Both of them euroskeptics frequently cite as being potential candidates for a new kind of relationship once Britain has left. And I think there are basically two options that are not really going to work for Britain.

So with the Norwegian option, Norway is a member of the European Economic Area with Iceland and Lichtenstein. They aren't full EU members but they do have full access to the single market. They signed up to all of the areas, all of the rules, but they have very little say over how those rules are put together and they essentially are regulation takers. They have to write those rules into their own statute books.

The second option is the Swiss option, which for various historical reasons, which maybe we could go into -- they're a little bit boring -- but they're essentially -- they've signed up pretty much to all of the free movement of goods, so there are four freedoms in the EU -- goods, labor, cattle, and services. They've signed up for goods, and for now labor, although they had a referendum on whether they wanted to leave the free movement of people system. And they've got hundreds of bilateral accords, but again, in those areas where they signed up to the single market, they don't really have much say over the rules that are enacted in Brussels in the institutions. And there's crucially no agreement on services or financial services apart from some very minor ones, which for a country like the UK where services exports are a huge part of its trade, then that would be a very big problem.

So I'd just like to make one final point and then I'll hand over, which is the final comeback that you get from a lot of people who want to make the EU when you make those points about Norway and Switzerland is, "Okay, fine. Well, we'll have a free trade agreement with the rest of the EU, and then we'll also be free to sign lots of free trade agreements with countries outside Europe, so we can make up for any increases in trade costs that arise that way.

The problem is that if a person leaves the EU, then it no longer is a signatory to the free trade agreements with other countries. It has to sign new ones. It has to replace the ones that the EU has already signed and has to sign new ones. And just going back to the gravity model, it's pretty unlikely, given the fact that Britain's trade with the rest of the EU makes up such a large percentage of its total trade that it would be able to make up for the potential losses on the EU side by signing lots of free trade agreements with countries which are far away and where transportation costs are pretty high.

So, just to make one prediction, the conclusion I think has to be that Britain is going to be pretty unwilling, if it votes to leave the EU, to sign up to a lot of rules without much say in their drafting. And so this is likely to mean that there is going to be higher trade costs, that there is going to be diminished access to the single market, and that there are therefore going to be so many economic pressures put on the UK economy. And for a medium-size open economy, it seems to me to be pretty mad really to increase the cost of trade with your largest trading partner. In the name of sovereignty, which is likely to end up being in the long run, rather elusory given the fact that the rules of trade are increasingly being made by the EU, the US, and eventually one would imagine China. So I'll leave it there.

MR. MENON: Thank you.

Damian?

MR. CHALMERS: Thank you. Thank you very much for being here. I'm

the lawyer, the sort of nuts and bolts person on the panel. I'll probably bore you a little bit with detail.

What I want to start by saying it might change, of course, if Labour or the coalition of Labour or lib dems get into power next year, but in some ways it seems as if the tectonic plates of the UK's relationship with the EU are getting more fluid whether the UK stays within the EU or they negotiate some relationship outside.

And what I wanted to say is that if you take away, strip away a lot of the formality surrounding this debate, there are three polls around which it will inevitably have to center -- that of the political economy of regulation, because the EU is such a giant in this field, particularly when you see the UK's position vis-à-vis it; the organization of the British state, because this is a dominant vehicle for the expression of different interests; and then the third poll, which has to mediate these two things, is the template for the relationship between the UK and the EU. And I'll talk a little bit about those were the UK to leave the EU.

And what I'll say is the tension between the first two, between the political regulation, what the UK's governmental organization can offer might lead to actual suboptimal choices for how the UK mediates future relations with the EU.

Now, let me start off with the first poll, the poll of if you like the political economy of regulation. Now, this has two aspects in relation to the UK. The first is what is known as the Brussels Effect. And the Brussels Effect is that to a large extent, particularly for product standards, Brussels sets the global rules of the game. It's not Europeans that say this but people that are based in the US.

I'll give you quite a long quote by a law professor. She was first of all at Chicago; she's now at Columbia, but she's of Finnish nationality. She wrote this quote, well-known article, and it starts like this: "Few Americans are aware that EU regulations dictate the makeup that they apply in the morning, EU cosmetics directives; the cereals they eat for breakfast, EU rules of GMOs; the software they use on the computer, EU

antitrust; and the privacy settings they have on their Facebook. That is the privacy laws. Now, that is just before 8:30 a.m. When they go into work, the EU also sets up the interoffice phone directory that they use, the privacy laws again; what kind of air conditioners they turn on, EU electronic waste management, waste recollection rules; and whether children no longer have soft or plastic toys in their McDonald's Happy Meals, EU chemicals law. And although you have been governed by Europe, even though a few hundred years ago you tried to avoid it, not because your decision makers have decided that, but largely because US industry has decided that. It is a process that happens quite autonomously from political decision-making."

And what has happened -- and it's not just here in the US; one finds it's even more dominant in the Far East, but Southeast Asia or China, where, because the EU is the most heavily regulated market and also the most open market, at least in terms of the size of carriers in the world, that exporters from around the world choose to adopt EU regulatory standards rather than their own domestic ones. And this occurs across a wide number of areas. Now, for someone like the UK, this is of course a particular pressure because such a large proportion of our trade is with the EU. It's a much stronger pressure than it is here in the U.S. That is the first problem the UK faces.

The second is there is a legacy issue, and this has not been stated yet, but at the end of 2012, EU law counted at some sort of estimate probably between 14 to 17 percent of British law. The Commission estimates, and this is just of laws, sort of secondary legislation, 9,576 regulations, 1,999 directives, 11,500 laws. That does not include soft laws, which are probably two or three times that, or quasi legislation, which is about 10 times that. And each of these legislations puts in place path dependency, standards to which companies have aligned themselves, and a whole variety of other stakeholders. In both these pressures, the Brussels Effect and the legacy effect over the UK stays in the EU or outside the EU, are huge pressures, pressures not to change. They create their own system of winner and losers but they cannot be avoided. They

cannot be renegotiated. It's complex to renegotiate, and there is no reason that the EU would renegotiate them. There is not the voting coalitions within the EU to allow that. So that's the first thing that any British renegotiation has to adjust to.

The second, and this is where the pressure, if you like the organization of different British interest comes in, is what would happen if the UK left the EU? How would it affect the reorganization of the British state? And I'm going to suggest it does so along three axes. The first is it relocates the system of rule. We're just not governed by Brussels anymore. And that in a sense might be what your skeptics, of course, want. This is self-government. But it, of course, makes you a lot less reliable as a trading partner. And all states -- almost all states around the world that have had to enter into medium-size or small-size states that have had to enter into viable trading relations have had to bolster up their international commitments. And this takes two forms.

In Latin America, it involves giving international law a very strong primacy. States like Mexico, Canada, Brazil; it's almost above their constitutions. The opposite in the ASEAN countries where you require national legislation to implement, no one will sign a treaty with Thailand or Malaysia unless ratifying legislation is passed simultaneously, giving great powers to those treaty organizations. Now, that currently doesn't exist in the UK settlement, but it is something that they would have to look at.

Alongside that -- I once had eminent debates in the U.S. about this -- typically, when states opt for isolationism, judges come in to start applying foreign law as determined by the national standard, and this is beginning to happen quite a lot in private law in the UK. So this will be another thing around which -- one of the first things around contestation, who really would rule us? And it's not immediately as clear cut as it might seem.

The second thing -- this is perhaps the most challenging thing -- is that within the UK, the EU government is associated with an increase in power in non-majoritarian institutions, courts or executives; an executive for the British government

having significant powers in the Council of Ministers and significant powers of implementation for (inaudible) instruments. And it's always said -- and this is one of the arguments -- that leaving the EU would allow Parliament to have more power. This seems to be the big thing of the populous parties and the conservative right and the Labour left.

Now, the challenge with this is that the UK Parliament is not set up like, for example, Congress, to exercise powerful reviewing powers. It will be a significant change, frankly which they do not have the resources, tradition, or the expertise. And the other thing -- this is where the Swiss model as I will come onto if I've got a bit of time is problematic -- is what has happened in Scotland last week. That a lot of these things now would fall within the (inaudible) assemblies, especially the Scottish one, but also it's highly likely the Welsh and Northern Irish ones. And how that would work when you're going to be a credible international partner, when you would have these -- and this is even before we get onto what might happen to an English Parliament -- it's particularly challenging for the UK model, and it will probably be one of the hardest things, hardest circles to square.

And the final thing -- we've seen this most obviously with the human rights debate, is of course, leaving the EU is just a different model of political community, perhaps a less cosmopolitan one, a more nationalistic one, one based around majoritarian politics, so the conservatives have made a lot of dislike in human rights laws. But as the US experience has shown, when you do that, you also have to think about other interests that are not protected well by majoritarian institutions, such as financial services and environmental protection. Now, the UK has followed that trajectory a little bit if you like since the crisis -- just cut funding for a lot of the regulatory institutions -- and it's been able to get away with it because it's been able to rely on EU regulatory operators. Now, if it leaves the EU, there's a real challenge for it. This isn't just a challenge for being cuddly, but from a country that relies on goal-standard financial

services protection. If you don't have proper regulators in place, it will be a real challenge.

So you have on this one hand this great pressure for conservatism, which is the political economy, and then a very fractured political system that is not organizationally well designed to cope with exit, whatever may or may not be desirable.

Now, if I've got two minutes, what are the templates for leaving? The first one, and it's been talked about, is a big multilateral agreement, the European Economic Area. Now, as has already been said, actually, the only thing the UK would opt out of if it left the European Economic Area. Now, as already has been said -- actually, the only thing the UK would opt out of if it left the European Economic Area, is freedom, security, and justice, which is largely immigration and criminal law. Everything else is applied to it. It also gives the European Economic Area, it bolsters the power of the executive in courts even more than the EU for reasons I can explain if you want.

Now, this is very good for the British Civil Service and would work very well with the British political economy at the moment. We have a very good Civil Service and perhaps a rather weak parliamentary institution as compared to others, but of course, it's not what the euroskeptics want. It's a deeply anti-populist way of going down things, and it has already been challenged very strongly by the conservative right.

The other route is a Swiss model. Now, it's been partly described. There are these hundred agreements, but there's also something the Swiss have, which is actually more important that they've had since the mid-80s, called Autonomous Adaptation. With Swiss Parliamentary committees and the Swiss Parliament, it's closer to the US Parliament than the UK one. It looks at any EU law and says, "Is this good for Switzerland?"

A study was completed last year of all Swiss laws between 1990 and 2007. The Swiss Parliament -- this is a continental system, spent a third of its time just looking at EU laws. Now, that is a big parliamentary cost to think that you spent a third of

your time discussing tractor parts rather than your health service. At least you think that if you come from the EU. And they have infrastructure to do that. And for the reasons I've given, it just doesn't work in the UK because of devolution and we don't have that. And it would require such a change in our thinking and such a rebalancing between White Hall and Westminster and between Westminster and Edinburgh, Belfast and Cardiff. It's very difficult to see how it could work at the moment.

So the danger is -- and this is what has been talked about -- is disorganized exit, which is what I said at the end, which is the Brussels Effect, where the UK leaves, it relies just on sort of a NAFTA equivalent or just the WTO, and then we're left with the quote I suggested at the beginning where Brussels will set all these things with the UK in a more intense way than it does for the US. But the problems with the UK is it's exposed to the EU markets in a very powerful way. It has very low research and development. It has quite high labor costs. There is simply no reason for the investors currently in the UK, so Japanese car producers or whatever, to accept that. There are lots of competitors, be they Ireland or Central and East Europe. Even one has to say North Africa. We can offer these things at a much better -- much cheaper basis, than a much more secure basis to the single market. And that is why a lot of false alternatives are currently being offered in the Brexit debate.

MR. MENON: Damian, thank you.

And finally, Fiona?

MS. HILL: Well, this is a great set of issues that we've got on the panel here, and I just wanted to do a little bit of what Anand did in setting us off by trying to pick up some of the points that he made to wrap up after listening to what John and Damian have also said.

In many respects, this reminds me of a film that many of you here in the audience might have seen, *The Life of Brian* by Monty Python. It is one of my favorite scenes in this, which is the scene about what have the Romans done for us lately? So

those of you who have not watched *The Life of Brian*, I highly recommend it. It's pretty scurrilous, and it's a little aged at this point, but nonetheless some of us have aged from watching it. It's still worth watching. But there's a whole back and forth basically about what have the Romans done for us, and it's basically, "What has the EU done for us?" "They gave us roads." "Oh, yes. Roads." "Sanitation." "Oh, sanitation." I mean, it basically sounds like Damian's review of what the EU has done. I didn't even know. I was looking around thinking, wow, you know, maybe the new -- I hoped that Brookings has got these new standards in and yet we're all sitting in some dangerous plastic seats and they're going to poison me with cookies at the end of this. But this is the food safety standards, all these kinds of standards.

But in many respects, sadly, the EU has become as remote as the Roman Empire I think for most Brits these days and a little bit like Monty Python-esque because it's got lost in a fog of law as we're kind of hearing here from Damian. And I think that's really the big problem that we face in thinking about this because all of the very sophisticated answers that we've had here, it's highly unlikely to be led out to the British voters when they face the likelihood of a referendum.

I don't know about all of you here who I've been thinking about the various elections in the U.S. I've got my little pamphlet here and I have no idea what my various candidate is standing for, and I have to do a lot more research. And the likelihood of people actually looking into what the EU is really doing for them on a daily basis is pretty slim.

And one of the problems that we also have in thinking about the United Kingdom is that in all the time that we've been focusing on the issues of regulatory standards and bringing up the various economic levels in trade, there's been very little thought to how EU politics plays on the UK domestic scene, apart from in the rather negative ways that Anand has laid out.

One, the main political parties' approach to the EU elections, they tend to

not pay too much attention to them. Although as we've been saying, UKIP, which has actually performed very well in EU elections has been seen as a Finnish party, but has now become anything but a Finnish party on the UK domestic scene. The Labour and Conservative and Liberal Democrats have tended to put up their Finnish candidates, the candidates they don't really want to play in the national elections for the European Parliament. And most people in the UK have probably no idea who their European member of Parliament is, their representative, and will probably never meet them in any constituent meeting where they might with another local MP, and they probably don't really care who that is.

And that's actually quite different from I would say 20 or 30 years ago when the UK actually had entered the EU and was starting to put a lot of this in place. There used to be lots of signs all over the place like the old Roman Empire signs, "This road was brought to you by the EU, this infrastructure project." And because Britain, of course, has developed so much more since then, those signs are not there as the way that they might be in a new EU member state where there's still kind of much more of a sense that the EU is there working for you. So if the EU is just basically reduced down to this fog of laws as far as thousands of them that Damian -- thank God Damian is looking at all of these and understanding these, but it's very difficult for the average person to distill this. This becomes a real problem because there's no real narrative about the EU. There's nothing to say what has the EU done for me lately and why does it matter? And if it becomes like the hated institution of the Roman Empire subjugating the masses of the different British tribes, which is as the UKIP is presenting it, then it really is a major problem.

So one of the key things to take away from what we've heard on the panel today is in many respects, the EU debate is about the deglobalization debate that we have in many other countries. That's been pointed out on a number of panels around town before. It seems sort of an antiestablishment backlash. And it's got the same

dangers in it as is being laid out here of the referendum that we just came out of with Scotland and the future of the union. It wasn't until the 12<sup>th</sup> hour -- in fact, the 12<sup>th</sup> hour had already passed, when there was a rousing speech about what the union had done for people lately, by Gordon Brown, the former and somewhat disgraced, just because of his short tenure, prime minister of the United Kingdom, who everybody was marveling at this fantastic rousing speech that he had made, and I commend it to all of you on YouTube. You can put in Gordon Brown speech. I watched it with my mum and found us weeping, catching ourselves that we were getting so emotional listening Gordon Brown, listening to the rousing defense of the union. But I greatly doubt that Gordon Brown is going to pull that out to actually do that for the EU. So who is going to go out there and say what has the EU done for us lately and give that rousing defense at the twelfth hour as we get close to that referendum?

Based on David Cameron's -- I would just say rather poor deal making, negotiating on the actual referendum over Scotland, I think it's a highly likely outcome as Anand suggested that the negotiations around the EU will not go well. They will not be particularly well thought out unless they have actually taken some lessons away from the amberjack lack of leadership and vision that was manifested up until a few weeks before the Scottish referendum.

As Anand said, however, in all of this debate, and this is something that really the political parties in the UK are all going to have to grapple with is this whole idea of immigration and what that means. Britain is a country that's gone through waves of immigration. It's had a hard time thinking of itself since the 1960s and after World War II as actually a multiethnic immigration base, not just one of the constituent national groups that make up the United Kingdom. But actually, Britain has become an incredibly diverse and very dynamic kind of place and has been for the last 40-plus years. Britain's population is one of the fastest growing in the EU. It actually doesn't say too much because there's been a lot of population decline elsewhere, but along with France which

has an actual fertility rate increase, but also Germany, which has had recently more of a boost in its population of immigration. Britain really has become a focal point for immigration, but most of it is really in London apart from in the major cities. And it's this bigger question of the future of London that people are grappling with because mobility inside the rest of the United Kingdom is remarkably low. There are lots of studies showing this, that London has actually become easier for immigrants from outside the United Kingdom to move into than it is for people from other parts of the United Kingdom, including the southeast, to move into to establish themselves in new jobs because of the high prices of property, the problems of selling basically property that you might have in another part of England that wouldn't buy you a shed in Clacton-on-Sea or some other place down in the southeast. The incredible attraction, the magnetic attraction of economic investment in London that's already been laid out here.

So you see instead that a lot of people who would think about moving to London now are actually commuting fast distances. The City of York, for example, which is quite a considerable distance away from London has become a commuter city for London. Now, in Washington, D.C., many people will say, "That's rubbish. I drive four hours to work every morning," but that's actually somewhat unlikely in a British context, but people really are commuting over large distances in the United Kingdom because of this logjam effect of London. And that exaggerates the perception of immigration. The perception is that immigrants are somehow keeping people out of jobs but it's actually much more complex than that, and I think that Damian and John and Anand can explain this a lot more as well, because lots of parts of the United Kingdom are actually remarkably un-diverse. I mean, if you actually look at some of the smaller towns outside of the big cities, probably about 8 to 10 percent of the population is from somewhere else, meaning somewhere else outside of those small towns, and that's really quite remarkable. And so it's that lack of mobility and this overblown perception of immigration when it's really an issue about London and the southeast that is at the heart of this, and

that has not really been tackled and described in a meaningful way inside of the British political system. So it's really a lack of narrative and a lack of a meaningful story. It's not laid out in this accessible way that we've heard today that's at the root of all of this.

So this is going to be a major problem as we move towards the referendum, and as Anand said at the very beginning, the political divisions that have been made extremely clear by the Scottish referendum are going to be out in force, and all of the UK political parties are now more divided as a result of the bruising expense we've just gone through the last months than they were before. And all of them have their own internal pressures, and the UK Independence Party, which isn't really bothering to explain lots of these issues but is just riding on this wave of anti-globalization, antiestablishment, is really giving them all a run for their money. So I'm also quite pessimistic right now unless people step up about what the outcome of this is going to be because it's clear that just like the end of the Roman Empire probably wasn't all that great for early modern Britain, moving the EU will not be great either.

MR. MENON: Thank you very much indeed, Fiona.

Okay. We've got about half an hour now to have questions and discussion. Who would like to kick us off?

Yeah?

MR. HERSHEY: Loren Hershey. I'm a semiretired attorney. I'm very poorly informed about all the details, so I'm greatly enriched by your presentations.

I have a couple of very simple points here. One, you referenced, Anand, the 100 MPs. Who are they? Do they cross party lines? Are there particular good spokesmen for them? I wasn't sure that I heard; had a date been set for this referendum? And what is that date? Third, and these are meant to intertwine, nobody actually mentioned the Commonwealth or the special relationship. So please comment on that. And fourth, would you all agree to come back after the vote is taken?

MR. MENON: Thank you. We'll deal with the Commonwealth sort of

issues this afternoon, the second panel, because it's about the sort of geopolitical implications.

The gentleman over there.

We'll take a few.

QUESTIONER: (Inaudible) formerly with the World Bank.

A couple of questions on voting. If the prime minister after the next election is not a conservative prime minister, how likely is it that people will feel obliged to hold a referendum anyway and we just sit this out?

Second, one of the (inaudible) things about the Scottish referendum was the very historically high participation rates. Has anyone tried to find a way to poll and figure out what level of involvement, what level of turnout you might expect at a referendum?

MR. MENON: The gentleman at the --

MR. RICARDO: Thank you. Ricardo Ricardo. I'm here with the Center for the US and Europe here at Brookings.

My question concerns the potential implications for the United Kingdom or UK's exit from the EU. I mean, Alex Holman, the leader of the Nationalist Scottish Party said when the results of the referendum were notified that the issue of Scotland's independence had been settled at least for a generation. And in normal times I would agree with him. But I was wondering, if the United Kingdom were to exit the EU, would the time for the Scots to reconsider that decision concerning staying or leaving the UK be cut short?

MR. MENON: Okay. We don't all need to answer everything, so does anyone want to go first in addressing these?

MR. SPRINGFORD: I can go first. That's fine.

So, I mean, in terms of the question about who the 100 MPs, are they generally on the right of the Conservative Party. There are a few Labour Party members

who are Eurosceptic, but they are fewer in number than they are on the right, and the liberal democrats, who have been in coalition with the conservatives, are pretty much uniformly pro-European.

But just to say one thing about that, which is that the interesting switch which has happened since the 1980s has been that the Labour Party used to be the most Eurosceptic party because they considered the EU to be a sort of agent of liberalization, agent of neoliberal economic thinking and that was trying to force open markets, that was going to mean that there were fewer opportunities for workers and so on.

But there's been a switch since the beginning of really the single market and also since the introduction of the euro in the process leading up to that where Britain fared extremely badly trying to manage its exchange rate so that it could enter the euro. Where the conservative party has moved very, very strongly against, but I think that Brussels is too interfering; that it tries to regulate too much. And they've been broadly right about the euro as well and maybe that's something which we could have a bit of a discussion about another time.

The other point -- the other question I was just going to pick up on and then I'll leave Damian and Fiona to answer some of the others, in terms of the implications for the UK and Scotland, Anand and I were in a conference -- at a conference in Italy last weekend in which a front bench member of the Scottish National Party, who I won't mention his or her name because it was Chatham House Rules, but he or she basically said that if the UK votes to leave the EU, and seeing as Scotland is generally much more pro-European than Britain is, than England is, and if that happens, then the Scottish referendum will be back on the table. And I think that that's probably true. They can say, "Look, you know, the constitutional sentiment within the UK, with the UK and the rest of the EU has now changed, and so we have a right therefore to able to have another go at this referendum.

MR. CHALMERS: Look, I'll pick up on a couple of the questions. I

apologize to Fiona; she gets what's left.

In relation to the question about when the referendum has to take place, David Cameron promised it within two years of any conservative election victory, so it has to be by May 2017. And if there was a vote for exit, there is then a two-year period, in principal at least, to renegotiate that exit. So you'd be looking at some time in 2019. That assumes that this is an organized, and not too fructuous exit. And the other question I'll just pick up on and then if Fiona wants to come in, is what happens if the conservatives don't win the general election, and the polls are suggesting, at the moment, it to be quite an uphill climb for them to win.

The position of Labour, and I think the lib democrats, it's more or less the same, that there will be no referendum in the next Parliament unless there's a new EU treaty that increases the powers of the EU. And by that they probably mean -- and this is already in the EU Act -- increases the powers of the EU in relation to the United Kingdom. So anything that does something for the euro wouldn't count. One of the reasons Labour is dead against it is I think it would dominate the first term of Labour officers they would hope, and they would almost certainly lose, and this would be your great legacy if you were (inaudible) pursuing a policy you disagreed with. So that is what happens.

We were discussing it yesterday over dinner, of course, if the conservatives don't get into government in the next five years, and this is something that the lib dems have suggested might be negotiable, by the way if they entered into coalition. There is, I think, a likelihood -- that's my own view -- a likelihood that if they were to get into government in 2020, we would have a more Eurosceptic conservative party if you look at the main people who are pressing for Cameron's job at the moment. Sort of almost Brexit is one of the things that they are really trying to identify themselves with. So it may go away in the short term, but not the medium term this question.

MR. MENON: I feel honor-bound to say that we talked about other stuff over dinner, like football.

MR. CHALMERS: I don't remember the other stuff.

MS. HILL: What Damian just said I think is the most valid point. In many respects, we're going to see a lot of this playing out in the next several months, which is one of the reasons why we asked them to come over and do this panel, because we have the general election in the United Kingdom in May of next year, and as Damian has just indicated here, this is going to be an extent issue, especially as UKIP will be wanting to play a role in the general elections and basically cut away at the conservatives' position as well as the Labour Party position. So you can be sure that these issues in some form, perhaps not very clearly articulated, but will be out there at the forefront, and that whole question about the EU and who is going to actually manage that relationship is going to be part of many people's platforms.

Of course, just as in any other political setting, foreign policy doesn't always dominate unless there's a major crisis, but it's also easy to manufacture a crisis. And especially as we've just come out of this referendum with Scotland and referendums seen as political tools, but then sometimes they have these deadly serious issues around them. I think we have to be very careful, because one of the fears that the Labour Party has, notwithstanding what Damian has just said, they would be forced to actually say, yes, they're going to have to have a referendum just to basically satisfy the euroskeptics that will be out trying to win seats during the election.

So we can be sure that this will play some kind of role, and we'll have to be watching it very carefully. But it won't be one in which there will be any clarity; it will be part of the muddied mess that will be the political debate as we run up to the elections. And I do think absolutely what John said, from my own discussions with Scottish representatives and SNP that they absolutely would put the referendum for Scotland back on the agenda again if the UK went in the direction of voting to leave the EU. Maybe even having a referendum. Just the fact of having a referendum would put it immediately back on the agenda again.

MR. MENON: Two things we missed. I mean, turnout is very, very hard to predict. But that's one of the things. But yes, very, very high turnout in Scotland, and in one of the bi-elections yesterday, turnout was sort of low 30 percent (inaudible). And I suppose that's one of the reasons why the big parties are saying we're not too worried about UKIP, because actually, if we get proper turnout in these seats, then our voters will come out and turnout will be higher in a general election than in a bi-election.

I think the Commonwealth has no role in a vote like this. The one thing I would say is very few ethnic minority voters in the UK vote conservative. So you could extrapolate from that, I suppose, in terms of -- and I would suppose as a guess -- this just a hunch -- that ethnic minority voters are less English in outlook and less anti sort of cosmopolitanism in outlook.

MS. HILL: Describing themselves more as British, sort of within the broader frame.

Another question, I mean, actually for you, because I actually don't know, the average turnout in the EU elections is even lower than for bi-elections, although I've seen kind of all kinds of --

MR. MENON: Thirty percent.

MS. HILL: Yeah, 30 percent. Yeah.

So, I mean, unless people get roused, the decision to leave the EU, if that happened, could be the remarkably tiny fraction of the voters in the United Kingdom.

MR. MENON: Dan?

MR. KELEMEN: Hi, Dan Kelemen from Rutgers. I'll be on this afternoon. And my question, for anyone, really, is, so imagine the conservatives win and they're going to hold their referendum, can you really imagine very realistically a scenario in which a Cameron-led government campaigns for exit or isn't it just more likely that whatever the outcome of the renegotiation, he's at least going to pretend that he successfully renegotiated terms in British interests and campaigned for yes? And a kind

of related thing to that, I mean, we've seen the pressure from the CBI and other -- British industry is not stupid, even if Tory voters are. Right? And so they don't want to leave. Right? And so for all the reasons John and others outlined. So under that pressure, can you imagine the conservatives campaigning for exit?

MR. MENON: The gentleman in the green.

MR. NOVELLI: Good afternoon. I'm Vitor Novelli, an Italian law student.

My question is in which way really does the EU negative affect your economy? Because, well, we said all the benefits that you enjoy by staying in the EU, but of course, if various such agreement, also there are so many people in the UK who want to leave or to renegotiate the deals with the EU, what are concretely the problems, the negative aspects of being inside the EU? Thank you.

MR. MENON: In the front here. We'll be able to do one more round after this.

MR. MALTESE: Thank you. Matias Maltese. I'm an assistant professor next door at SAIS.

First of all, I do want to mention I'm a little star struck by John Springford. He was, after all, I think very few people noticed, but the first person to advocate for the Eurobond and the Eurozone back in 2000. And I just did a piece on that and I think that's important to mention.

My question directly follows on the question previously because, I mean, of all the things especially Fiona talked about -- immigration, housing prices in London going up, deindustrialization -- I mean, none of this stuff really has anything to do with the European Union. How -- I'm still trying to wrap my head around this. How did everything that's going bad -- I mean, why aren't they angry at the bankers? Why aren't they angry - I mean, why the EU and not austerity policies by Cameron and so on? So who managed to narrate this crisis of Britain and the EU which there is very little concrete I think that you can point towards? Thank you.

MR. MENON: Okay. We'll start there, first on the negative economics.

MR. SPRINGFORD: Yeah, yeah, absolutely. And this is the first time anyone's been star struck by me ever. That made my day.

MR. MENON: We don't even have Eurobonds.

MR. SPRINGFORD: There are various policies in which the EU negatively affects the economy. I mean, maybe I gave you the overview version which I have been using to try and tackle the Eurosceptic opinion. I think the really big one is the budget. The Common Agricultural Policy, which provides subsidies to farmers, keeps food prices higher than they would be in the absence of it, where there's reasonably large tariff rules around agricultural work in the EU and this makes it much more difficult for developing countries which have potentially a comparative advantage in agriculture to be able to penetrate EU markets. That's actually for me one of the biggest scandals about the EU, and it's proved impossibly difficult to completely reform, but there has been some reform whereby they are no longer making payments, and based upon the amount of output which farmers produce, so there aren't all of these surplus wine lakes and surplus grain mountains and so on, but it's still something which imposes quite a lot of costs, both on the EU and on countries outside it. And the budget generally is extremely poorly spent. Structural funds, which one of the reasons why Spain and Portugal and Central and Eastern Europe are so pro-European, apart from many other reasons, is that there has been a huge amount of investment in their infrastructure. But one of the problems has been that a lot of that infrastructure spending has been quite poor and there's quite a lot of evidence demonstrating that.

And just a couple of other points. One is that while it doesn't impact Britain directly, the euro, I think, has to be a pretty major case of an indirect effect of EU policy, very, very poor EU policy on Britain. So Britain, after the 2008 crash, hoped that it would be able to have a growth strategy whereby you would have a devaluation of the pound and then exports and investment would pick up and pull the economy out of the

slump. There are various reasons why that didn't happen. The euro crisis is one of them. And if you want a really big reason why the Conservative Party, a lot of the Conservative Party is now so Eurosceptic, it's because they've been proved right on the euro; that the EU was not ready to have a common currency, and the level of political integration the common currency requires, as we have seen by the fact that mine and others' Eurobond proposals have been roundly ignored. That really speaks to an argument which a lot of euroskeptics make rightly about EU elites, which is that they rush ahead with some of their projects without the kind of legitimacy and without a European demos to be able to back them.

MR. MENON: Damian?

MR. CHALMERS: Why the hype about the EU. There are more important things. And I fully agree with the sentiment of the question. I think a big thing in the UK was that the EU got linked with debates about migration, and these have become, unfortunately, in my view, pretty unsundry. And there's been no research on that but just, once again, intuitively, that support for the EU fell shortly before the transitional period for Romanian and Bulgarian nationals tailed away and then surged when people saw that it was a bit of a scare story. So the two are very strongly linked. I think that is a powerful narrative, and it was also put in the Conservative Party conference (inaudible).

On Dan's point, very simply, I think that was Cameron's initial strategy, the fabric of the Conservative Party in my view has fallen apart, and one sees that what has happened is they've said that even if he votes, he recommends a yes, you can't go into a negotiation without promising (inaudible). The conservatives have now said there will be a free vote; that it doesn't bind any of his MPs. And I don't know how other European leaders will view that commitment because it should suggest lack of credibility about delivery.

MS. HILL: Just a very small point because it's really just about

narratives. The lack of a narrative in support of the EU makes it much easier for, in fact, this kind of image of the EU is at the root of all problems to emerge, just in the absence of someone countering that. And I think what we've just heard from John and Damian, I mean, obviously the fact that the UK overall, I mean, I think in many different political quarters, not just in the Conservative Party, was very skeptical about the arrangements around the European Union and the common currency. I mean, people like Gordon Brown and many others have been quite outspoken on the risks involved in this and the lack of foresight and the lack of crisis planning, that that has just exacerbated many of those views on different fronts.

And then, of course, all of the images of the past that John was also mentioning about the agricultural surplus. I mean, Britain is really not an agricultural economy anymore. Actually, it's also not a manufacturing economy and many other things, too, but anyway, never mind. But the whole images of those, they're always very hard to cast off. Many of the problems, as we've described here, are very much homegrown. The immigration was a false fear, but it's been a staple of British politics for 40 years, and that's where the Commonwealth comes in because it was basically the collapse of the empire and then the changes in the relationship with the Commonwealth, and then a whole host of immigration into the United Kingdom that sparked off a whole bunch of debates that have continued but have just kept taking different forms. I mean, the biggest really crisis in terms of immigration is outside the EU, just across the hall of the European Union. But somehow that all gets all kind of wrapped up in the EU, too, because it's a question about whether the EU is doing enough on these issues. I mean, the tragedies and crises that we see in the Mediterranean with the North African migration, the channel tunnel, all these kinds of questions. But no one has a real hand on it, and no one has a coherent narrative about what the issue is, even analyzing it and what we need to do about it. So it all gets kind of all wrapped up and confused. So, I mean, if we are going to tackle this, we are going to be looking for people like David

Cameron and others to come up with coherent narratives, because otherwise it will be very difficult to pull this off.

MR. MENON: And let me just say, in response to Dan, I could easily conceive Cameron campaigning for a no or reserve judgments on this, and depending on the political calculation of what his back benches think about whatever comes out, he might put leadership of his party ahead of anything else. So I think it's perfectly conceivable.

It's also worth bearing in mind that it seems that whilst everyone says the younger generations are more solidly pro-EU, each new cohort of MPs seems more Eurosceptic than the last, and that was across both sides of the house this time, on both Labour and Conservative benches, the younger ones or the newer entrants are more Eurosceptic. So if that trend continues, that will leave problems for him on his back benches.

And the final thing, because you asked a question about business. Yeah, business is making the case. One of the things about Scotland was business made the case as well, and lots and lots of people didn't listen to them. So the issue about to what extent that actually turns voters off or voters actually think we don't trust you people, so the sort of distrust of the economic system as a whole comes out in this. And just when you thought you'd seen everything in politics, business interventions led to John Redwood, a prominent conservative Eurosceptic coming out recently and saying business should just butt out, shut up; otherwise, they're going to face the consequences of being in favor of EU membership. And this is from a former conservative, the Business Party minister. So it's a curious time.

MS. HILL: Can I just, because one issue that we haven't really raised here that is relevant to this is well, there's never a debate about the number of Brits who go and move to the EU on the immigration issue, and there are a very large percentage of people who they jump over London because of the cost of going to London, and end

up in other places. I mean, it's not just the pensioners from the UK who are living in the Casa del Sol or other --

QUESTIONER: (off mic)

MS. HILL: Gets a little bit more scrutiny in the press than anything else. But this is going to be another issue that ought to be on the table because an awful lot of people are making their pensions go much further by living in other parts of Europe. In Portugal. I mean, any of you, if you are going, traveling around Europe, you'll find British tourism, British pubs everywhere, ruined the cuisine of all kinds of really nice Mediterranean countries with beans on toast. Anyway, I'm not exaggerating. I'm quite (inaudible) of nice, sunny places. But this is an important element in British political and popular culture, but it's not in the debate, and I find that actually quote astounding, the question about what would happen to all the people who have basically retired to parts of Europe? It's not on the agenda at all.

MR. MENON: I'm going to try to take three quick more questions. The gentleman there. If you could be quick because I think we're going to start eating into what is already called a short coffee break otherwise.

MR. WARREN: Rob Warren from (inaudible).

I don't quite understand why the EU itself hasn't done a better job of defending itself and really expanding its narrative. We are celebrating 50 years now of the EU. It's integrated. It's had general prosperity. It's stabilized and kept the peace. This narrative doesn't seem to be explained. Will Mr. Junker do a better job of trying to explain to the public and the UK and elsewhere the success the EU has had?

MR. MENON: The gentleman behind -- just right behind you. Right behind you.

MR. ROSEMONT: Thank you. Hugo Rosemont. Actually, King's College, London, as well.

Just a small point I can't resist on the links to the Scottish question which

is surely though the Scottish National Party is going to look for any excuse for another referendum, and should it not be recalled that they were quite happy to lead the campaign to leave the UK without the certainty the country would then be in the EU. So just to make that point.

Secondly, a question if I may, drawing on Fiona Hill's comments about the sense of detachment. And my question is really about the potential renegotiation. Can you think of any initiatives or perhaps renegotiations that might help with that specific point, in fact? Should the UK government or other governments perhaps be looking in that direction over the next few years about what could be done about reconnecting the EU with the citizens? Thank you.

MR. MENON: The lady who has been waiting. I'm sorry to everyone else.

MS. EGAN: Hi, Michelle Egan.

You keep talking about has Cameron come up with a narrative. Let me suggest that perhaps he went to Harrell Wilson's archives and his speech looks very much like Harrell Wilson's archives. Is there a parallel here between the Labour Party and the creation of the STP and the breakup of the fractions of the Labour Party and Conservatives and UKIP? Thank you.

MR. MENON: All right. If we can have rapid answers.

MS. HILL: I save my place to our guests, so.

MR. CHALMERS: Very briefly on the first gentleman's points about why the EU hasn't sold itself. I'll make a couple points. I think when you're in the business of regulation, it's difficult to sell yourself. Even here in the US, you know, big federal agencies, even within a single political system aren't always the flavor of the day. Secondly, I think one has to be careful about governments selling itself. I think a government's job is to take difficult decisions, and if we're in a world where we love government, for my own personal safety, it's a little too close to North Korea. So

whenever the EU has tried to sell itself, you can say, well, what about the losers of the system? I mean, there's no denying any of the benefits you say, but I think it's one of the reasons (inaudible) difficult jobs do.

And I have to say I'm a bit star struck because I love Michelle Egan's work, but on her question, yes is the answer, but I think it goes back farther to the 19<sup>th</sup> Century, to the UK Corn Wars. The Conservative Party has to decide whether it's a free trade party or an English Nationalist Party, and it's no longer even an English Nationalist Party; it's a South English Nationalist Party. That's someone who is not a conservative. The longer they argue about this, the more I'm happy.

MR. SPRINGFORD: Okay, just very briefly. Why hasn't the EU done a better job of explaining itself? Because nobody listen. I mean, if you go to Brussels and talk to a lot of EU officials, they'll tell you how marvelous a job they're doing. But nobody back in the member states are really listening. And the problem is that member states themselves are very unwilling to do their job for them. So you don't, particularly in the British debate, there's absolutely no electoral game that comes from a political leader standing up and saying "I love the EU." Nick Clegg tried it in a sort of halfhearted way with a debate against Nigel Farage, leader of UKIP before the European elections and lost horribly. And so unless that changes, the EU is going to have a pretty bad press, I think.

And then just quickly on reconnecting with citizens. I mean, one thing that I think would be a very sensible thing to do would be to try and expand the Erasmus program, and this is something which makes a lot of people who aren't British, but from other member states, it means that they're more cosmopolitan, they go to other universities. The problem is because Britain's language skills are so poor and that it tends to be a lot one way and not very much the other, but some sort of program whereby European universities shared students and shared academics much more would be great.

Very quickly, on conservatives in UKIP, we're seeing all political parties in Britain losing votes. We're not in a Tea Party system anymore, and so there's a huge opportunity for smaller parties, insurgent parties, anti-elite parties actually to flourish.

MR. MENON: Let me add just two points. One, which might be obvious to people here is the EU can't defend itself because it never gets in the media. When you talk about Jean-Claude Juncker, when the whole confirmation thing was going on, we never saw him; we saw Cameron talking about him, or Miliband talking about Cameron talking about him. The actual people at European level don't get a look at -- I can't remember the last time on a news program you see anything about the European Parliament. So it's not like the system you have here where you can find out what your local politicians are doing and you can also, at the same time, obviously hear what the national politicians are doing. The European level is silent and it's almost impossible.

Secondly, on what John said, because it brings out nicely one of the things I said before, Erasmus. This is one of the genuine problems that Britain has because Britain is different. Britain charges fees in its universities -- 9,000 pounds in England, and everyone thinks Erasmus is a great idea and the Commission has just published a number of Erasmus babies that have been born, just to show what a good European thing this is. Great. But in the UK, it costs us money to have Erasmus students because they can't pay fees under the rules. So we take these people for free, and the statistics are we take 10 for every one of ours that goes abroad, which is because we're useless at languages maybe, but there's an economic cost to this, which is why you will find if you talk to senior university managers in the UK, they oppose Erasmus. And it's just one of a number of areas in which sort of genuine policy differences -- not just an innate hostility, but genuine policy differences lead to differences of outlook.

I've abused the chair enough for this session, so let me thank our three brilliant speakers. We'll stop for a brief coffee and start again in about 10 minutes.

Thank you.

(Applause)

(Recess)

MR. SHAPIRO: Hi. My name is Jeremy Shapiro. I'm here at the Brookings Center on US and Europe. Thanks for sticking it through to the second panel, which I'm sure will be much more informative than the first.

(Laughter)

MR. SHAPIRO: I just wanted to start off by, in addition to thanking you for coming, but by thanking Anand and King's College for this collaboration. I think the cooperation that we've had between Brookings and King's, this is our second conference that's been in a way a lot like the cooperation between the members of the EU. It's been very enlightened, I think very productive, and often very confused. And we're really looking forward to continuing along all three of those lines.

This, I think, we hope will be the first in a series of events on the question of British exit. As was mentioned in the first panel, this is something which is two and a half years away. That is significantly longer planning than we usually do at Brookings or in Washington, but we think actually that there is some knowledge to gain in the meantime. We learned, I think, from the experience with the Scottish referendum that outside of the UK, people are very unlikely to pay attention to this problem, to this issue in the run-up to the elections, and there's going to be, at the end, sort of a grand scramble for the countries around the UK to sort of understand what this means and to take a position on it and to see what they want to do. And I think what we're trying to do here is set some of the foundations in the United States at least for the ability to do that. And so this panel is going to look at the international implications on the assumption that if we don't care now, we will care later, and hopefully, it won't be too late.

We have, I think, a really great panel to do that. You may have picked up on the fact that we don't actually have all of that great panel, but Nicolas Jabko has

called us and he assures us he's on his way, so we're going to start without him and he's going to conform to the EU stereotypes of the French and show up fashionably late.

So we have Anand Menon, who may look familiar to you from the first panel, and he's going to talk about how this is seen in the sort of broader world. We have Dan Kelemen from Rutgers, who is going to talk about the US perspective on British exit. And then we have Nicolas, who is going to talk about a French and a continental perspective on UK exit.

So I guess with that we should start. And I think we're going to start with Anand.

MR. MENON: Thanks, Jeremy.

You've probably heard enough of my voice already, and I'll keep it short because actually I couldn't think of that much to say. When we organized this, we thought it would be nice to have something on the sort of geopolitical implications of Brexit. And I said, "I'll do it. That sounds interesting."

And I struggled over this over the last few days. I realized that all this is an exercise in speculating about speculation, because we don't know if we're going to have a referendum. We don't know what the outcome of that referendum will be. Even if we vote to leave, we don't know how we'll leave and what particular model of exit we'll have. So one step further down the line, what will be the geopolitical implications of this, I don't know. So I'm going to guess and come up with some very, very vague thoughts about this.

And the first thing that's worth saying is when it comes to sort of foreign policy per se, the nonbindingness of what the EU does on member states, with the exception of trade means that member states, even as member states, retain enormous scope for autonomous action anyway. So this is an area where member states aren't hampered as much in their desire to do what they want as they are in other areas.

But there is a debate in the UK about what exit would mean for our

international role. Those in favor of member say leaving the EU would have very serious negative consequences for the UK as an international actor. It would reduce our ability to pursue the foreign policy we want and we need, would reduce our ability to solve the trade deals that we want, and one argument is that if we were to leave the European Union, ultimately we would lose our seats on the United Nations Security Council. This is a rather tortured argument, and I've heard it given in full once and it goes like this. We leave the European Union. Scotland votes to leave the United Kingdom. The United Kingdom changes its name. Because it changes its name, the UN charter has to be adapted because you've got a new member state with a different name. And as they're adapting the charger, the Indians and the Brazilians say, "Hang on a sec. You're tiny and insignificant. Why are you on the security --" It seems a slightly tortured argument to me, but it's an argument that's being used.

The flipside of the coin, and I don't suppose you were lucky enough to in this country, but if you have turned on the television and seen any of the conservative party conference when it was going on, at any given time if you turned on the television, you would have seen a middle aged white bloke saying, "If we are to leave the European Union, this will be great for our foreign policy. It will be great for our weight in the world. It will make us more nimble. We won't be bogged down with all the EU regulation. The large countries like China and India will be queuing up to do business with us and side trade deals with us. If Canada can do it, why can't we? And we'll be able to have a more effective foreign policy that is more specifically tailored to our interests.

As I said, speculation on speculation. There is very little informed commentary on this. The one bit of informed commentary I know of, and there's a whole series of these reports and I recommend them to you because they're actually rather good, the UK government carried out this Review of the Balance of Competences it's called. It's not a catchy title. But what it was is across a number of policy sectors, they set out to study what does European Union membership mean for the UK? They got

experts in and government experts, and they took evidence from all sorts of private companies and officials, and they're really rather good reports it has to be said. And what is striking about the foreign policy report is that it says, "EU foreign policy has been good for the UK. It has on occasion allowed us to increase our influence over the world's trouble spots, and there has not been a single occasion when EU policy has prevented us from doing what we wanted to do." So that's a pretty overwhelmingly positive case in other words.

Other states have commented on what the international complications of Brexit might be. In 2014, the Irish, in our annual National Risk Assessment, put uncertainty over UK membership as amongst the four major geopolitical risks facing Ireland today. Other countries are worried. The Chinese have spoken, albeit haltingly, saying that they would prefer the United Kingdom to stay in. The Americans, of course, have had their say, and there have been similar noises from Korea and similar noises, too, from Japan. So other governments have voiced their concerns about what it would mean to have the UK out.

And I think in terms what a UK exit would mean for the EU's foreign policy, several things can be said. Obviously, a UK exit would reduce the military capabilities that at the European Union's disposal. So you can say that's a negative, except the United Kingdom has hardly taken part in any of the EU's military missions anyway to date except in a very behind-the-scenes supporting or logistical role. So in that sense I wonder how much impact the UK exit would have.

It's arguable, if you want to look at the sort of silver lining behind the UK exit, that if we were to leave the European Union, it would reduce the ability of smaller member states to do what they've done for so long in foreign and security policy, which is to hide behind Britain and France. So it might make some of the smaller member states step up to the plate. It's possible.

UK exit might make it easier for the European Union to do what it once

did, which is to define positions on the Middle East, and the Arab-Israeli conflict in particular that are at variance with those of the United States. That's something we need to look out for here. I think if we, if the United Kingdom leaves the European Union, our positions on the Middle East conflict will start to diverge more than they do now because the UK has always been a bit of an anchor in keeping Europe close to a US position.

If the UK leaves the European Union, it will be easier for the European Union to arrive at single representations in many international bodies where the single greatest block for many years since the Elizabethan Treaty has been the opposition of the British Government to this.

And finally, I think one obvious thing that will change if Brexit occurs is that the European Union will equip itself with an operational headquarters which many member states have been wanting for a long, long time, and it has not happened because of opposition from the British. So it's not all negative, in other words. There are some ways in which paradoxically you might see European Union foreign policy becoming more effective and more efficient without the British.

To turn this on its head, what does it mean for Britain itself? Britain is a relatively powerful medium-size country. Twelve percent of the EU population, between 11 and 14 percent of EU GDP, depending on how you measure it, the second biggest spender on defense within the European Union, and the first biggest depending on how you look at the figures, because the French include pensions in their figures, which makes them slightly weird compared to the British figures.

There is no doubt that Britain would continue to be able to negotiate trade deals with major international powers, even if it wasn't in the European Union. Two questions I suppose are: (1) how quickly, because we wouldn't be the top of the US list of priorities when it comes to international trade deals because they've got bigger fish to fry; and (2) how effectively? Because it stands to reason, in my book at least, that if you're representing a smaller market, your negotiation strength is very much reduced. So

it strikes me that we wouldn't be able to do as well in international negotiations were we to leave.

In areas I think crucially where the economics aspects of foreign policy take center stage, we would be weakened. David Cameron has said to many of his senior advisors in the foreign office that he could not conceive of a situation where he was not sat around the table in discussions over Ukraine. Because if we were not sat around the table in discussions over Ukraine, where the only tool that Europe has deployed is sanctions, we would be isolated from the real measures being taken to isolate and to punish Russia. We would have no access to those discussions if we were not members, and I think that would reduce our international influence quite significantly.

As someone said to me when we were having coffee, one of the things the Conservative Party is fond of doing is talking about the ways in which we can use alternative means other than the EU to reinforce our international influence. The Commonwealth is something that conservative politicians seem to have belatedly discovered and discovered the merits of. I find it very, very hard to take this seriously. Britain, like many other member states, prides itself on having, to a certain extent at least, a values-driven foreign policy. Three-quarters of the member states of the Commonwealth at the moment outlaw homosexuality. There are massive value divides in terms of any normative foreign policy aspirations undercut any attempts to work together effectively. The Commonwealth as an institution plays virtually no international role, and in terms of the biggest players within the Commonwealth, take India if you like, there are often enormous substantive issues getting in the way of effective collaboration. The first thing the Indians want to talk about when they talk to any European state, in particular the British, is why don't you give our people visas? Which in the light of a debate in Britain, which focuses on migration and how we don't want people coming in, is not something that sits all that easy with the nature of our politics.

I think the longer term implications of Brexit, which if you like speculation,

upon speculation, upon speculation, are the most interesting, and let me suggest some of those now. Firstly, I think Britain will continue to work closely with the US and with France as a defense partner. I think the size of our military and the traditions of cooperation dictate that that will continue to be the case. But, I think in the medium term, going it alone will lead to a serious erosion in the capacities that Britain has to offer. I mean, successive secretaries of defense have already pointed out that the notion of a British full spectrum capability is a myth. That will become more of a myth over time, and more apparently so if other member states start to take seriously their rhetorical commitments to pooling and sharing military material. Most EU states have recognized they are too small to do serious military operations alone anymore. If we cut ourselves off from even the nascent cooperation within that, that will have real impacts on our military forces.

And I think the most interesting aspect of this relates to public opinion because I think public attitudes in Britain are characterized by two things that fit quite nicely with the Brexit debate. One is we are very reluctant, I think, as a public in Britain, to confront what are increasingly complex, expensive, and long-term international threats. It was virtually impossible for our politicians to talk about the long-term threat of ISIS, the problems of insecurity in the Middle East, and the need for long-term investments in both cash and manpower terms to ensure security there.

That's not how our publics think anymore. You need to say, "Our people are being captured; we're going to go in now and intervene with airstrikes. That might work." But actually, longer term engagement with the world outside is not something that sits well with public opinion because I think there is a real tendency in British public opinion to want to keep the world outside. And this is a tendency that would simply be reinforced by British exit. It allows us to become -- it's part of a longer term trend of becoming more insular. British people increasingly I think see the outside world as the place where migrants we don't like come from. The mood amongst the British goes

against the rhetoric of the British that we are an open trading nation. We're becoming very closed-in on ourselves.

My biggest fear -- well, I have two big fears about Brexit in terms of geopolitics, I suppose. One is that it accelerates that trend. We become an insular, offshore nation that struggles to interact with the world because we're a little scared and nervous about world outsiders. So that is not in keeping with the traditions of British (inaudible).

The second thing is if Britain exits the European Union, the one thing that is certain is for the two years afterwards, neither Britain nor the European Union will be able to think about the foreign policy challenges facing them because we'll be discussing the sorts of things that Damian talks about today -- how to deal with the regulatory mess that will arise when we cease to be full members and have to renegotiate some other form of arrangement. And that will dominate the agenda to the exclusion of all else, and I can't see how that will be helpful to anyone.

MR. SHAPIRO: The splendid isolation fantasy once again.

MR. MENON: Fantasy as such.

MR. SHAPIRO: Okay. So Nicolas, I would love for you to address how this is seen from France and maybe even broadly from the rest of the European Union. And particularly, if you can, if you're not already going to, if you can address the point that Anand raised I thought was very interesting, that actually the EU might end up being more coherent in foreign policy without the British.

MR. JABKO: Well, thank you, Jeremy. That is certainly, I think, the French hope. Maybe wishful thinking in this case, but they certainly -- well, first I should apologize for being a little late. I'll just blame it on Baltimore to Washington traffic.

But the point that you made, I think, is a valid one from the perspective of French sentiment towards British exit. I mean, there is a sort of tacit joy that you can feel in many French pronouncements on British exit and usually -- the usual declarations that

you hear is that it's basically the British -- it's the business of Britain, that they should decide whether or not they want to stay in the European Union and implicitly, and you don't hear this expressed very much so we'll try and do this for you today, there is a sense that this might actually serve Europe and it might serve France, because very often the UK is seen as the troublemaker within the European Union, the Trojan horse of liberalization. The member states that basically opposes France on many issues, where French policymakers see themselves as being pro-European, and they see the UK as basically sort of an obstacle to that. So to the extent the British would cease to be an obstacle after British exit, there is a certain amount of joy that you can sense in, for example, the notion that once the British are out, they will cease to constitute unfair competition. They will cease to compete unfairly or what is seen as unfair competition from the French perspective on the basis of lower labor costs and social protection, at least the competition will be a little more difficult and a little more distant. There will be potentially barriers. The British will cease to be an easily accessible tax haven that can attract so many wealthy French taxpayers at huge cost to the French public coffers. And last but not least, Britain's exit would open the possibility of recreating a competitive advantage for Paris in financial services, which is an area where, of course, Paris has been in relative decline, vis-à-vis London for decades at this point, so there is a hope that this British exit would basically put Paris back on track to being the major financial center, or one of the major financial centers along with Frankfurt, probably for the European continent once Britain is out.

Now, why did I premise my remarks by saying this was wishful thinking is that I think that when French policymakers look at the issue a little bit more rationally, I think they become aware that Britain's exit might become a problem. There is a tendency in France certainly to attribute all the perceived ills of the European Union to the UK and to imagine that the EU without the UK would be better, would better conform to France's dreams of what an ideal European Union would be like; yet the fact is that Britain is not

single-handedly responsible for the European Union's liberalizing tendencies, and it's not so clear that the EU would be less liberal if Britain left it. It's not clear either that France would be able to become a financial center on par with the city of London, and it's even less clear that the French economy as a whole would benefit from Brexit.

What is clear, and I think policymakers recognize this when they reflect on Britain's exit more rationally, is that this would basically set a disastrous precedent. This is clear to me from at least two perspectives. First, Brexit would send the message that the European Union is no longer a desirable place to be. That Europe's integration towards ever-closer union is a thing of the past. Now, given the commitment of France historically to the European Project, this would be a catastrophe. Europe would become even more al-a-carte, as it is called in France, and would cease to be seen as a long-term community of faith for its member states. Even with Britain outside the European Union, it might become difficult to move forward when the momentum behind Europe's integration is no longer taken for granted, as I don't think it would once Britain leaves. Once it becomes conceivable for member states to leave, then every new initiative at the EU level becomes a lot harder to defend because it would be considered a priori as potentially illegitimate would not be considered as a logical solution to a common problem.

Now, this is a problem because any political entity like the EU needs momentum. If it doesn't move forward, it tends to move backwards. The economic and monetary union, for example, needs to be reformed. Now, how do you do this if the presumption is that any reform that is put on the table is going to be criticized as potentially illegitimate. If you want to fix the kind of problems that the Eurozone has been -- I should preface this, of course, by saying that the UK was not a member of the Eurozone, but this is just an example of the kind of things that need to be done at the European level in order for the European Union to continue to deepen. If there is a presumption within the Eurozone, which is the vanguard in many ways of the European

Union, that some members could get out, could choose to exit if they're not happy with the reforms that are on the table, then it becomes very difficult to fix the Eurozone to, for example, address the problem of deflation with the necessary institutional reforms, to address the future problems that the Eurozone may encounter because it's been obvious that in the past few years the Eurozone has encountered many problems and it has had to conduct institutional reforms in order to address these problems. If these institutional reforms are no longer on the table or they are no longer seen as a priori potential solutions, then it becomes very difficult to get out of the kind of crisis that the Eurozone encountered in the last few years.

I don't think this is necessarily a good thing, and I think a lot of French people and other continental Europeans when they look at things a little bit more rationally, are able to see that this presumption that the European Union will not or should not move forward, when this presumption disappears, it becomes a problem for the European Union.

The second area, and perhaps even more worrying in the short term where Brexit would send a disastrous message is domestically. If you think about it, once Britain exits the European Union, it would send the message to French citizens, as well as other citizens within the European Union, that it is perfectly okay, and perhaps even reasonable, to exit the EU. It sort of puts the option of exit on a reasonable plane domestically in terms of public opinion.

Now, this is a message at this point, taking the example of France, only the far right party, The Front National, The National Front, carries in France. Most French people do not find this message very credible, and so far, according to polls, this contains the electoral progression of the Front National below the kind of numbers that they need in order to become a credible governing party. They did very well in the last European election. They were first in the results of the European election, yet they're not considered, when it comes to national election, a credible alternative to either the right of

the central party or the left of the central party. However, the National Front is progressing at the polls, and I think Britain's exit would certainly embolden the progress of the National Front. (Inaudible) has been having the kind of discourse that Anand was describing and the rationale for Britain moving out of the European Union. The foreign policy rationale. That France would do better alone than it does within the European Union. That's what the Front National in France says these days. They say France has a glorious national past, and it should leave the European Union in order to embrace that past of a great nation, which could once again become the future of France. This sounds a lot like the kind of rhetoric that you hear from UKIP and from many torrid back benchers who are in favor of British exit.

So in France, a party that once sounded very marginal, fascist even, almost sounds reasonable at this point thanks to this prospect of British exit. If Britain were to exit the European Union, this would definitely open an avenue for a victory of right-wing populism within France and probably in other countries than France. I can perfectly imagine a scenario where France becomes ever more Eurosceptic, where the Eurosceptic atmosphere that is in evidence in the UK these days, becomes a reality in France at all also. The difference being that in France, this would mean an electoral victory of xenophobic far right party with historical roots in fascism. And that, I think, is recognized by most reasonable people as a nightmare scenario.

MR. SHAPIRO: Thank you. So splendid isolation and fascism. This is a dark path.

I think that the United States has had a significantly less schizophrenic reaction to this concept in France. Would you characterize it that way?

MR. KELEMEN: Yeah, we've had a pretty consistent position. Just before I turn to the US, just a couple background comments on the whole question of Brexit. I think one thing it's important to start out with is that in a sense this discussion looks a little different today but in a broader sense it's nothing new. Right? You've got to

think back. The community when it was first formed, the UK decided not to join. They formed their alternative, EFTA, right, and then later they had their referendum. Should we join? And then with Mostra and opting out of the single currency and the social opt-out initially under the conservative government, this is a pattern we've seen.

So the point there is to say, first of all, the UK in a sense, psychologically and in policy terms, never really joined the EU fully, I think. And secondly, it's already half left. The Polish Foreign Minister Sikorski talked late last year I think it was about the Eurozone being the real EU. And Poland is committed to joining the Euro eventually because it wants to be in the real EU. And the UK already has opted out of that and all the associated things with banking union, it's sort of half way in, half way out.

So the point being that when we talk about Brexit, it's not a choice between 100 percent in and 100 percent out. They're already part out and would remain part out, and then as the first panel highlighted, even if they did leave, let's say, they wouldn't be able to leave 100 percent. They'd still have to have some trade relationship, a new treaty or something. So it's a bit like the Hotel California where you can check in and you can't check out. So, okay, it's not a zero -- 100 percent, 0 percent choice. It's maybe between 70 and 40 or something. So that's important to keep in mind.

Now, two other things before I turn to the US. Just so we're all on the table with what we think is happening, I think that's useful, I don't think the UK is going to exit in the short term. Longer term, maybe. But if we talk about the next few years, I don't see it happening. Even if there is a vote, I don't think it would pass, but we can talk about that.

But for the rest of my comments will assume it does. Let's talk about if they do leave. And then the one last thing to say is, and this kind of relates to maybe the first point Nicolas made, it would, I think no question, be an enormous blow for the EU with implications for the US if the UK were to leave. An enormous blow in the short term. But I do think longer term, if we're talking over a couple decades, it would probably lead

to a much more rapid acceleration of the process of European integration and the construction of even more of a kind of federal Europe over the longer term. So the short-term and long-term implications move in opposite directions.

Okay, now, with the US, as you said, the position has been pretty consistent. I can read you lots of quotes from 2013-2014, since all the referendum talk heated up. Jay Carney, White House spokesman, "We believe that the UK is stronger as a result of its EU membership and as a result of having the UK in, the EU is stronger." White House statement issued in January 2013, "The US values a strong UK in a strong EU." That's the kind of line they keep throwing out. Strong UK and strong EU. Maybe you wrote that stuff.

Vicky Nuland, when she wasn't telling people the F-word, was saying, "We value a strong UK voice in the EU, and the EU is a critical partner on global issues. We welcome an outward-looking EU with the UK in it."

Phil Gordon, similar quote.

QUESTIONER: Former senior fellow here.

MR. KELEMEN: Yeah. Yeah. Who said, "The UK voice within the EU is essential and critical to the United States." So we want the UK's voice in those debates that are shaping all those regulations. Basically, if we want to have any impact on the cosmetics we put on our face or the iPhones in our pockets, the best way to do that is through our friend, or Trojan horse if you're French.

And finally, President Obama, just about three months ago, "It's hard for me to --" and then I'll stop doing quotes -- "It's hard for me to imagine that project (the European Project) going well in the absence of Great Britain. I think it's also hard for me to imagine that it would be advantageous for Great Britain to be excluded from political decisions that have an enormous impact on its economic and political life."

So the US has been very consistent in this administration on this issue and our position.

Now, let me move beyond what the policymakers have said and offer a few thoughts of my own.

So what would be the impact? That's our question. Geopolitical impact for -- in my case, for the US.

So number one, Brexit would make the UK a much less valuable strategic partner for the US. Still be valuable, an important country, but less valuable than it is now. I think both because it would no longer be as effective of a channel for US influence and sort of US having a like-minded country as a channel into EU policymaking, so therefore, if you don't have your Trojan horse anymore, they're a little less useful. Its voice would carry less weight in global affairs. I think arguably Anand showed two sides of that story maybe, but that would be another reason. And essentially, it's this question that the UK has been this pro-free market voice -- pro-liberalization, if you prefer -- in the EU, and losing that would be counter to US interests given our policy preferences. So that's number one.

Number two, Brexit, as I said before, would weaken the EU, at least temporarily. Very much for the reasons Nicolas said. A huge blow to the prestige. And particularly this would be true in the foreign policy realm where even though -- I'd be curious to hear more from Anand about this later -- even though the UK maybe hasn't participated so much in some of the missions and whatnot, still, when people think about the EU as a foreign policy player insofar as it is one, the UK is seen as crucial to that as the sort of biggest power in the EU. And so insofar as the US wants the EU as a credible partner in different foreign policy initiatives, anything that damages the EU's perceived strength and vitality in the foreign policy arena is going to be bad for us. So there's that.

Next, on the sort of business front, US firms, of course, have an incredible presence in the UK, often using it as a point of access to the single market. We have about 4.7 trillion in assets in the UK of American corporations. This is all from like Dan Hamilton's kind of reports he puts out. You can go on and on with the statistics.

The point is that we are heavily in the UK and a lot of that being for access to European market. So insofar as Brexit would be negative for the UK economy, which I think the first panel made a convincing case why it would be bad for the UK economy, that's bad for American business. So I think in terms of geostrategic interest that's another thing.

And I can't resist one little aside. Since we've been talking about immigration, and even you, Anand, were making the case about the overwhelmed hospitals, but let's be clear. The data show in all the reports I've seen, that migrants to the UK contribute 34 percent more in tax revenue than they take out, so it's going to be bad for the exchequer.

All right. Last two points and then I'll stop.

First, another big implication -- this goes back to something others had said -- I do think that Brexit would be followed by a second Scottish referendum, and by a successful one. So if they really did do Brexit, it will lead to the breakup of the UK. So then all the -- you've had panels on that here recently. All the same reasons that Scotland leaving and what do you do with the Trident missiles and all those questions would be back on the table again with all the implications they have for the US geostrategically. I don't think we need to go through all those, but I think you cannot divide the question of Brexit from the continuance of the union with Scotland.

And so then finally to conclude, as bad as I think Brexit would be for the US and for the UK, I think arguably maybe the best scenario in my mind might be vote on the membership with a stay-in answer.

Second best might be Brexit. Why? Well, what could be worse than Brexit? Well, what might be worse is the kind of current scenario. I mean, imagine we have another 10 years running of are we going to leave? Then it becomes like a zombie membership, right, where one party is promising we're probably going to leave, and I just think that isn't serving us either. So in other words, there's a big temptation to say let's vote and be done with it.

MR. SHAPIRO: Yeah. I can see that. There's only so many times we can do this panel.

But I wouldn't mind if I could sort of take the privilege of the chair to ask the first question and to take up your sort of first optimum scenario -- optimal scenario, which is that there is a vote but that it's a no. I mean, no to leaving. Assumedly, there would be in the sort of two years between a conservative election victory next year and a promised referendum, both an effort at renegotiation with the wider EU in order for the British prime minister to be able to put a deal to the population that he would be able to support in order to support staying in, and of course, a referendum campaign. And I guess what I'd be interested in hearing from all of you is from the outside, from both the EU and the US perspective, given all the dire consequences that we've heard from all of you about what this would do to the return of fascism in France, the sort of lesser Britain policy that would result, and the sort of splendid isolation, what would or should the various outside parties do, both in that negotiation for a deal, and in the referendum campaign to try to avoid that outcome?

MR. JABKO: Well, mischievously, I suggested if enough French people say they want us to leave, we'd stay out of spite.

Actually, on that, you said vote no. I think one of the things that's very, very important is if you believe in EU membership, the membership is equated with a yes. I mean, that's one of the lessons from the Scottish referendum is you're easier being the yes than the no.

I find it hard to believe still that when it comes to a referendum, the British will vote to leave. I think it's far more likely than it's been. I'm not certain anymore, and I used to be certain, but I still think I would lean towards the British voting to stay in.

I think people listen to what the United States say. I don't think people would listen at all to what anyone else has to say, and I think intervention by anyone else,

particularly European partners in that debate, would be negative, would have a negative impact.

MR. SHAPIRO: What about on the deal?

MR. MENON: Well, the deal, I mean, this is where we've got to be careful. We've got to distinguish between the conservative back benches that are half of Cameron's audience, and the British public that is the other half. The conservative back benches will pick through whatever he negotiates with a fine tooth comb and almost certainly, most of the waivers I suspect won't like what he gets. It won't be enough.

The British public are different, and I think part of this will depend on: (a) where the media splits and how well he manages to spin what he comes back with. When David Cameron came back in June from the European Council at which he got very little and got that paragraph saying, yeah, we accept that the Brits are a bit difficult. There was nothing. He got a standing ovation when he went into the House of Commons. All right. He got things like the Ever-Close Union stuff as well, but I mean, the reception he got was disproportion to the concessions he'd run I would have thought. And a lot will depend on the ability to do that. And I think the British public will be a lot easier to convince than some of his back benches, just because certain members of the Conservative Party and Parliament aren't convinced, I don't think should make us think the British people won't be convinced.

And I think other member states and the European institutions are bending over backwards to be helpful. I think Juncker in particular has made it clear he'll help the British. I mean, it's almost embarrassing the degree to which people will go out of their way to satisfy British demands. It's almost embarrassing. They're almost being too nice. It's kind of like, wow, we really are difficult, aren't we? And you're really being good. So I think pretty much our partners and the institutions are doing everything they could do at the moment to make it smooth.

MR. SHAPIRO: So Nicolas, do you agree? Are you bending over backwards, and should you continue to do so?

MR. JABKO: I think they are bending over backwards, but they're mostly sort of helping Cameron save face. I think that's really what's going on. So substantively, there is no deal that is being brokered by Cameron. He's just not going to really get anything that is of substantive importance out of what he keeps calling a renegotiation, partly because the French and many other member states are not able to deliver a deal all that easily, especially if it involves treaty change. You can't come up with -- coming up with a new treaty these days, in France, for example, not only in France, is toxic. So if you had to come up with a new treaty in order to come up with a deal that would satisfy Britain, and pretty much any deal that would be significant would probably entail treaty change, then it's a nonstarter from the French perspective. So, I think face saving and helping Cameron save face, that is on the table. Going further than that, I don't think that's really on the table.

MR. SHAPIRO: So it's a question of how well they can spin nothing.

Dan, Anand said the US is the one country that actually could weigh in on the referendum. Do you see them doing that?

MR. KELEMEN: Well, I don't quite agree with Anand on that in the sense that, yeah, I think the US expressing its opinion in a sort of "this is for the British people to decide but if you want our opinion, here it is," that can have an influence. But where I don't agree is I don't think it's necessarily the case that anyone else having a say would be a negative. Now, sure, if they did it the way some in England did vis-à-vis the Scots of sort of threatening, "If you leave, here's all the things -- the ways you're going to suffer," that would backfire. But I can very well imagine something that I think would appeal to Brits -- we've got Brits here; you can tell me -- is a kind of media campaign of "Please don't leave me." Right?

And the British, yeah, they may have their things with the French, but

you know, if they have the German chancellor, the Dutch prime minister, you know, people saying, "Please don't leave the European family. Please don't leave us. We want you in." I think that could play positively.

MR. JABKO: I think the French would also say that. They might think differently --

MR. SHAPIRO: This was *The Economist* cover for Scotland, "Don't leave us."

MR. KELEMEN: And the last thing, if I could just to add on this question of deal. Anand brought this up earlier today when he talked about in March when Cameron said, "This is my seven points plan of what we need to renegotiate to have new terms of membership, I don't want to go through all seven points, but it's basically vacuous the whole thing. To me, it boils down essentially to two things. One is immigration, and yes, they can do a bit on curbing benefits for EU migrants. They already done that. They're doing it in Germany, too, some limitations. But they can't just sort of get rid of intra-EU migration. There is, after all, free movement of Labour. So that's one. And UKIP is basically an anti-immigrant party; right?

And then the second thing, which is the more profound one, is just a question of sovereignty. And that they can't massage away. I mean, there is a thing that you are giving up significant amounts of your sovereignty in some sense being in the EU, and that one is more in the gut and can't be nuanced away.

MR. SHAPIRO: Just a feeling.

All right. Well, why don't we go to the floor for questions? We have about 20 minutes. We'll take three at a time and then come back to the panel.

So why don't we start with Ricardo?

RICARDO: Thank you.

My question concerns the potential implications of the -- not so much of the result but of the whole process, and particularly of the negotiation about the terms on

which the UK would stay in the EU. Do you see a risk, first, the mere thing of having a referendum in the UK might actually increase the chances that other parties in other countries of the EU come up with the idea of having their own referendum, not necessarily on membership, on membership in the EU; perhaps a membership in the Eurozone, or that their demands become suddenly much more credible, much more difficult to oppose for the other parties?

And second question related to that, if the UK manages to renegotiate its terms of membership with the EU, why should our countries not do the same? And this implies a much bigger risk of (inaudible) than you said Nicolas would result from a UK exit.

And third, what about the issue of the British rebate? The last time I checked some years ago, the UK was pretty much isolated. You had all the other European Union member states saying the rebate thing is unfair. How would that play out in the context of a renegotiation whose aim is to keep the UK?

MR. SHAPIRO: The gentleman in the second row here.

MR. FARMER: Nick Farmer.

Two countries you haven't mentioned much, and one sort of relates to the commonwealth issue. If Brexit should occur, do you see the UK, Canada, New Zealand, and India especially with the changes going on in India, perhaps forming some sort of compact to balance their exit from the EU?

And the other part is what about Germany? If Brexit should occur, would Germany basically dominate the remaining EU?

QUESTIONER: Thanks very much.

My question is actually a very straightforward one for Anand. Continue your speculation exercise. Let's say there is a vote and they do vote to stay in. What happens to the Conservative Party?

MR. SHAPIRO: Anand, why don't you start with that, and also maybe

add in what happens to UKIP.

MR. MENON: The answers to that is the point where hope starts to triumph over reason in my head.

MR. SHAPIRO: That's what conferences are for.

MR. MENON: Yes. Conservative parties by that point I'd like to think.

It is quite possible that they'll split. Part of me is thinking that that is Farage's strategy. But actually, deep down, Farage's main objective isn't a referendum on the European Union. Farage's main objective is a Miliband victory and a rump Tory Party joining him. And he suddenly finds himself the leader of a pretty serious political party.

And in a curious way, the talk of the EU in any EU referendum is a bit of a diversion. It's being instrumentalized for political objectives that have very little to do with the EU, so it might be migration. So in all the polling of UKIP members, the EU figures surprisingly little, but migration is up there as the major concern. So the EU is a sort of second order issue in all these things that is instrumentalized according to taste. So for the Labour Party it means never talking about it because it's going to get you into trouble. For the Conservative Party, it depends what part of the party you're in. But I can easily see the Conservative Party switching. I can see the Conservative Party splitting if there is or even if there isn't conceivably a referendum. But certainly, if there is a referendum, and they're getting a free vote and you have a very bitter campaign, that part is going to find it very, very hard to stay united.

MR. SHAPIRO: I want to take this idea of the recreation of the Commonwealth System as well. It worked so well the first time.

MR. MENON: Well, no, it won't happen, I don't think, and it won't happen for a number of reasons, not least because the other countries you've talked about have bigger fish to fry. I mean, Canada has got a relationship with the United States. Australia is turning towards Asia more and more in terms of its trading behavior. The Indians have

got all sorts of bilateral issues with the British that would get in the way of it. And as I said, any negotiation -- negotiations with the European Union always hits up on this visa issue with the Indians. There are all sorts of bilateral problems with the Indians. I just don't think it could happen.

MR. SHAPIRO: Do either of you want to take this question of both the precedent and of the role of Germany?

MR. KELEMEN: I'll just take the precedent one quickly. On this issue, if Britain does succeed in renegotiating terms or at least they sort of pretend to do so, would this set a precedent and others step up, "I want my special deal, too"? Well, in a sense, yes. That's surely a likely consequence. But in another sense, it's nothing new because we've seen this trend over the past 20 years really of an increase in what in EU lingo they call differentiated integration, or there's different terms -- multispeed, variable geometry. But essentially, we already have this model where subgroups of countries can forge ahead on common policies that others don't have to participate in. So there is already now, and especially post-Elizabethan Treaty, an institutional architecture in place that allows for kind of a bit of a la carte system where you cannot participate in certain policies. I think that's probably going to continue to grow, and the UK renegotiation would only increase that.

MR. SHAPIRO: But I think Ricardo is referring to an extra dimension being added to that, which is popular pressure, which is this notion that now the citizens can demand such a thing, both from their national governments and ultimately from the EU. And that might actually increase the pressure both to do these things and sort of in the way that the EU citizen movements often do, kind of get out of hand.

MR. JABKO: I actually agree with this remark, and I think the pressure would come from the citizens much more heavily so than has been the case. The history of the EU is the history of an elite construction and it has gone well in part because it was an elite construction where the citizens were sort of tagging along, that they didn't really

sort of object to what was going on. And what would happen with this referendum was that it would be citizen empowerment for negative purposes from the perspective of European integration. It would not be -- and this is where I slightly disagree with you -- it would not be just not moving forward; it would be moving backwards and that would be a first. You know, to sort of be able to say, well, we're no longer a part of something that has been in existence is a novelty that is not really -- I mean, there is a possibility of that happening within the framework of the Elizabethan Treaty that was indeed what the Elizabethan Treaty innovated in. It's an area of innovation of the Elizabethan Treaty. But it has never been used. And I think that it would be a precedent for it to be used.

On the question of Germany, which is the other question that I think, yes, you asked, I do think that -- I do not think that Germany would become all powerful in the EU without the UK. In fact, the German chancellor has said recently that the UK was an ally in order to get the kind of preferences that Germany has in terms of liberalization, especially vis-à-vis France. And Germany would become pretty isolated in terms of -- as a big country, vis-à-vis other European countries, big European countries in holding those very liberalizing preferences. If you think about it, most big European countries after Britain's departure would be Southern European, which are less pro-liberal than is the case in Germany or the UK. So I think that although you would see definitely a move towards Germany becoming one of the few remaining big European states, I don't think it would become even more dominant than it has been the past few years.

MR. SHAPIRO: Did anybody want to take this question about the UK rebate:

MR. KELEMEN: It affects your pocketbook.

MR. MENON: The renegotiation, I don't think that was part of our plan in terms of renegotiating. That wasn't what we intended to renegotiate. I don't think that is an issue for the UK government when it comes to renegotiation. It could be left in the budget rounds. The British government has laid out the issues that it wants to negotiate

on.

MR. SHAPIRO: And there's no worry that the other governments might bring it up?

MR. MENON: No, I haven't heard a worry about that, actually, to be honest.

MR. JABKO: There is a worry in the context of the budget negotiations.

MR. MENON: Yeah, in budget negotiations, yeah, but not in this specifically, no.

MR. JABKO: But then there is a significant amount of horse trading going on because, you know, the agreement I think of the last budget negotiations would be that the British rebate would be rediscussed in the next budget negotiations, but then so would the Common Agricultural Policy at the same time. And, of course, if the British rebate disappears, then the Common Agricultural Policy might disappear as well, which the French, for example, would not be very happy with. So there is some negotiating room I'm sure in budget negotiation in terms of Britain extending its rebate maybe with a small discount, but pretty much indefinitely because other member states have an interest in defending other things, like the Common Agricultural Policy. So there's going to be a lot of horse trading here, but I'm not sure it's at the level of sort of being one of the conditions that Cameron puts to Britain staying in the EU.

MR. SHAPIRO: The EU version of mutually assured destruction.

Why don't we go to the gentleman in the green here?

MR. NOVELLI: Vitor Novelli again.

My question is in the case there was this referendum and you voted for going out of the European Union, would there be a concrete risk -- you probably covered it somewhere in the talk -- but would there be a concrete risk that extreme movements that now have spread across Europe would actually manage to take power somewhere? Because they have increased dramatically their votes -- France, Italy. We've had this

outburst of extreme movements and anti-European. How likely is it that the consequences of this vote will mean that these extremely anti-European movements will take over Europe?

MR. SHAPIRO: Over here.

MR. HERSHEY: Hi, Loren Hershey. Thank you very much for the presentation.

To maybe connect the questions, I'm wondering about the monarchy in Great Britain, United Kingdom. Have they ever taken positions publicly -- Queen Elizabeth or members of the family -- in any meaningful way in the past? And how might that weigh on the psyche, if you will, of Englishmen or English women, or citizens of the United Kingdom today?

Second question is a little bit related to this prior question which is, what if the vote in Catalonia is to secede from Spain? Could any and all members of the panel here make some comments on that? Possible implications, again, on the psyche of the British vote.

MR. SHAPIRO: Yeah, I guess the question is how many children is Kate Middleton going to have to have?

In the back here in the blue shirt.

MR. FOX: Hello. Brian Fox, SAIS student.

My question is related to the fact that it's not only Brexit or Britain exit but it's a UK exit, and that would also have implications to Northern Ireland, which is close to home for me. And so what do you think will be the implications for the island of Ireland because we would be actually having an EU border on our shared island? Thank you.

MR. SHAPIRO: Thank you.

So Nicolas, you talked about populism in France. Do you see it also having a similar effect elsewhere in Europe?

MR. JABKO: Yeah, I think France is representative in many ways of

many other currents -- I assume your Italians or, you know, what the Liga Norte represents. And Italy is a right-wing populist movement that is largely anti-European. And those movements exist everywhere. Now, the question that you ask is would these extreme movements come to power? I don't think the question would be posed in exactly this way. The question -- I think the outcome of British exit would be that these movements would suddenly be seen as a lot less extreme than what they're seen now. It depends what you mean by "extreme." If being extreme means coming up with a position that is unreasonable and that most people see as unreasonable, these parties would remain extreme and would remain pretty much on the fringe.

Now, once Britain exits the European Union, suddenly, what seemed extreme until very recently becomes not so extreme, and that is a recipe for winning votes. I'm not sure if they would win so many votes as to become part of a coalition government -- part of a governmental coalition in the case of the National Front or Liga Norte, or whichever of these extreme movements, but they would certainly gain a foothold and they would become a major party just like UKIP as Anand explained would become a major party if Britain were to exit the European Union. This would be a big boost for this movement, and that's, I think a concern that I in particular have, and most reasonable people in Europe have. And most non-extreme people.

MR. SHAPIRO: Most non-extreme people, which is a diminishing percentage.

Anand, the monarchy played a sort of weird role in the Scottish referendum for a political monarchy. There was a berring and there was --

MR. MENON: Reading.

MR. SHAPIRO: Reading. So will it play any kind of role in the Brexit?

MR. MENON: I think Damian was saying that the queen has expressed a view.

No. No, the queen -- Prince Charles has expressed views on aspects of

what the EU does in agriculture. But no, the queen hasn't --

MR. JABKO: They love agricultural policy because they get all these handouts.

MR. MENON: Well, yes and no.

MR. SHAPIRO: The Royal family. Yeah.

MR. MENON: I don't know. I'm not a typical British person in many ways, and among those ways is my view of the monarchy. So can't speak for my fellow citizens in terms of whether they listen to her. But I don't know. And I find it hard to believe that she would, due to the nature of the monarchy.

Just on Ireland, yeah, it would have a massive impact because of the imposition of a border, because of trade distortion. As I said in my thing, the republic risks Brexit as a serious geopolitical threat, and the situation for Northern Ireland wouldn't be all that different with the imposition of the border.

Can I just say one very quick thing on populism?

MR. SHAPIRO: Sure.

MR. MENON: It's not Brexit and discussions like that that are going to fundamentally determine populism; it's whether or not you restore growth and cut unemployment in the Eurozone. I mean, any country that has 25 percent youth unemployment that doesn't get populism is weird. And the economics is the key to this, nothing else.

MR. SHAPIRO: Do you want to take this Catalonia question?

MR. KELEMEN: Yeah, just maybe one thought in a way linking the Catalonia question with Northern Island and Brexit altogether is if you step back and think about the big picture, what we're seeing is a period of questioning and redrawing of borders. And that's partly linked. The existence of the EU is what makes talk of an independent Scotland and an independent Catalonia possible. Without existence of the EU, that wouldn't be happening. So the existence of the EU makes it possible. And even

though in the case of the talk about Brexit, it's an established state talking about leaving the union, rather than a subunit talking about leaving a state. It's, in a sense, part of the same picture of different political jurisdictions deciding which -- and changing their views of which bigger unit they want to be a part of. So this won't be the last, and if a positive vote went to ahead, I think that would encourage other votes, just the way the existence of the Scottish referendum encouraged the Catalans, et cetera.

And then with the link with Northern Ireland, like I said, I do think that Brexit would lead eventually to Scotland leaving the UK. Now you can tell us better than I can tell you 20 years from now what that might mean for Northern Ireland's position. I'm told that even Catholics in Northern Ireland favor staying in the UK, but if that means a hard border against Ireland, I don't know, views could change.

MR. SHAPIRO: We have a few more minutes left, so let's take a couple more questions and then we'll wrap up.

The woman in the back here. Yes?

QUESTIONER: (Inaudible). I'm a fellow at the German Marshall Fund.

I have a question more on the perspective of the European Union. You touched on that but we didn't discuss it in detail. What do you think should be the strategy of the EU in the next two years vis-à-vis UK? So should there be more concessions towards the UK to keep them in? And if yes, what kind of concessions should that be, and what do you think is realistic?

MR. SHAPIRO: You're next.

MR. LE CORRE: Hello. I'm Philippe Le Corre. I'm a new visiting fellow here at Brookings.

QUESTIONER: First day, so be easy on him.

MR. LE CORRE: First day, yeah, I'll try to behave.

I was just wondering where have the pro-Europeans been in the UK? Both the Labour Party and the Conservative Party used to have pro-Europeans, and it

seems Miliband is on the left side of the Labour Party, perhaps center left. Center left of the left? And Cameron goes, you know, one way or the other.

I'm surprised really by the situation we are in because just a few days ago, the French prime minister was in London, and he came to praise the British model and the Labour Party, the sort of new Labour type of Labour Party, which is more social democrats, when the Socialist Party in France was more of an old left. So it seems the British model is actually working well in the rest of Europe when the British want to leave the EU. So why is that? And why have all these pro-Europeans gone since their influence still works over the rest of the continent?

MR. SHAPIRO: Okay. And the last question, just right behind you.

QUESTIONER: Mine is a little bit off track. I hope it's okay.

MR. SHAPIRO: Identify yourself, quickly.

DARMA: I'm Darma, and I'm Tibetan, but I'm a US citizen now, educated and raised all my life in India. So I'm so proud to see, you know, one of our Indian sounding guys talking really well. But caution.

Yeah, my question is -- just like in India, in my country, I know I'm an exile product, we have everybody there from all countries, so the EU, I thought it's a little bit related and they're very much involved, like Britain and France and whatnot, Scotland, whatever. So, yeah, so in other words -- oh, my goodness. I'm fading out -- my question is how, you know, do they treat -- I know China is really big and I, myself, to announce or declare myself, my position, by this time because it's all about multiplication of ourselves and all that, you know, age, unlike in the past, so I kind of begin much more broader minded or to be more realistic, not to worry too much about my country or your country.

MR. SHAPIRO: Get to your question though.

DARMA: So my question is the stand of, you know, France, and especially Britain, I'm supposing that it's still the bigger country in Europe and probably in the world, and in Tibet, I think the French, that guy is dropping or in case of trying to get

rid of, you know, like opposition and Spanish inquisition, something like that, that kind of trick. So if, you know, the Nepal and all that, right? So --

MR. SHAPIRO: Nepal and the Spanish inquisition.

DARMA: So if he's -- yeah.

MR. SHAPIRO: Why don't we just leave it there and we'll try to deal with that.

DARMA: Okay. Thank you. I'm so very sorry. Yeah, it's actually for my Indian friends. Take care.

MR. SHAPIRO: We only have a couple minutes left so I want to give all the panel an opportunity to wrap up and to take any of those questions that you think are applicable, or just to say any last words that you have.

So why don't we go in the opposite order and we'll start with Dan.

MR. KELEMEN: Okay. So just to be very quick then, the one question I'll try to address is what should be the EU strategy, the first question, in the next couple years. I think the top of the agenda for the EU in its strategy, both vis-à-vis the UK but more generally vis-à-vis the sort of mounting Euro skepticism is coming back to what you said, to push initiatives that are going to be popular with the public, both job creating and kind of trying to push a new economic agenda of stimulus, and things that will win back public favor. The destructive things that the EU has become associated in the public mind with the euro, which is viewed negatively in a lot of places, and with austerity. And I think that even affects the British debate even though they're not in the euro. So I think getting on a positive agenda is the key strategy with initiatives will be popular.

MR. SHAPIRO: Nicolas?

MR. JABKO: Yeah, I mean, I would agree with what you just said, except I'm not sure how much you can sell this to the British. I mean, to my mind your question was more what can the rest of the EU do so that Britain doesn't exit --

QUESTIONER: (off mic)

MR. JABKO: Which concession would you -- yeah. And to this question my response would be you can't do very much because a lot of it is symbolic politics. And so the best that you can do is to actually -- very often to just shut your mouth because anything that you might say will be held against you if you're a continental European, and help Cameron save face. That's the best that can be done. And beyond that, it becomes very difficult for the reasons that I explained earlier because of treaty change and the difficulty of treaty change in view of your skeptic public opinion. So we'll just have to wait and see I guess is my response to the question. There isn't much that the rest of the EU can do.

MR. SHAPIRO: So if the advice is that the continentals need to be quiet, we could be in big trouble.

MR. MENON: Well, I'm not convinced by that. I think the EU has already done a lot in the way of recognizing the grievances and the legitimacy of British grievances in a number of areas. And I think so far actually the mood music from this Commission and from several of the commissioners has been exactly right, whether it be in terms of better and less regulation or in terms of recognizing the fact that the British have particular issues with things, I think the EU has gone down the right track. And actually gone further than I would have expected so quickly. So more of the same, and at all cost, avoid treaty change. I mean, that's the big thing, isn't it? We cannot let ourselves veer anywhere near anything that requires treaty change.

Where are the British pro-Europeans? Well, one of the problems is we've never really bothered to try and produce a pro-European public. Under Tony Blair, which was the great opportunity we missed, on two or three separate occasions he said, "We're going to launch a great initiative to tell the public about Europe and what it stands for." And each time it got lost under a more pressing issue. It was health service on one occasion. Iraq on another occasion. Each time we never quite -- it got nearly to the top of the political agenda and never made it to the top, and it was a great opportunity missed

because the most vociferous spokespeople for the European Union and the UK are businesses. And they're not always believed or trusted.

On the Tibet, et cetera, I think the policies of most large EU member states can easily be summarized. You issue some declarations in the name of EU that talk about human rights, you go and negotiate in the name of your government and don't mention them at all because you want the contracts from the Chinese. So it's just a pure declaratory game.

MR. SHAPIRO: Okay. Well, on that note, I guess we'll have to end it there. I think this was an incredibly rich and pressing discussion, so I'd like everybody to join me in giving the panel a hand.

(Applause)

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