

Anthony Zammit: BREXIT and the Euro

There are two key debates regarding Britain's role in Europe at the moment.

The first concerns the populist agenda, with the UK Independence Party capitalising on disenchantment with Westminster as well as anti-immigration sentiment and concerns over 'red tape'. If there is a referendum in 2017 then I am hopeful that this agenda can be successfully defeated through a rational debate that we have not yet been able to hold.



The second argument relates to the "remorseless logic" of further Eurozone integration and Britain's ability to participate in a "two speed Europe". Clearly, the Euro had fundamental design issues from its inception given lack of fiscal integration, and although the system has returned to some form of stability, there will need to be fiscal integration to prevent a crisis of this scale happening again.

The concern put forward by many in the UK is that in a two speed Europe, the interests of countries that aren't in the Eurozone will be eroded. Special deals (or carrots!) provided as part of the negotiation between Eurozone countries on fiscal integration may affect wider EU issues. If the interests of the non-Eurozone members cannot be protected, Britain should either drop out of the Union or pursue an alternative form of membership.

The focus of my presentation was on refuting this argument. I am convinced that it is possible for the UK to continue to participate constructively in a two (or even three) speed Europe.

Firstly, leaving the EU would be an extremely irrational response. EEA membership will not work. We are too big to sit outside the rule making process and take legislation that is given to us. Dropping out doesn't seem to be a solution to being left behind by the rest.

Secondly, recent events have shown that the Eurozone can pursue integration without necessarily harming Britain's interests. The European Banking Union was successfully put together without damaging the importance or independence of the City of London. The double majority voting system also could ensure some protections for the non-Eurozone countries at least for the medium term. The appointment of a British candidate as the Financial Services Commissioner also demonstrates that the EU is willing to be accommodating to Britain.

Thirdly, there is still so much upside for us to achieve as an active member of the Union. Freeing up the market for services, pursuing a common energy policy and a

general reform of the institutional framework are some (but not all) of the areas where it is clearly in our interest to be a core part of the decision making process.

Lastly, I am personally sceptical of how much of their sovereignty the nation states within the Eurozone are really willing to give up. Perhaps there is some willingness to enable more oversight on fiscal deficits, and even the potential for some form of mutualisation of debt above a certain level. After all, this was a sovereign debt crisis that was exacerbated by having a single currency.

However, as we are no longer in crisis mode and public opinion in many member states does not seem to be supportive of significantly greater integration at the moment, I believe we are a long way off a Federal Europe. Until it is clearer what form of integration the Eurozone states are willing to pursue and what a Federal Europe actually looks like, the UK should wait to see if its position really will become untenable. In the meantime, it should contribute constructively to the debate.

Still, the question should also be discussed from the opposite angle – do the Eurozone members want Britain in the EU?