



## The British and their exceptionalism

by Simon Tilford

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**Few countries have allowed their sense of exceptionalism to damage their interests in the way Britain is doing. British overconfidence is unjustified and will come at a heavy price.**

Most countries see themselves as exceptional, but few have ever allowed the belief in their exceptionalism to damage their economic and political interests in quite the way Britain is currently doing. What makes so many British politicians, business leaders and newspaper editors so confident that Britain will flourish unencumbered by the EU? Why do so much of the British elite see the EU as a constraint on British influence in the world? Both France and Germany sometimes bridle at the EU but neither seriously thinks that the EU diminishes their ability to pursue their interests. Even now, when it is clear that Brexit will do profound damage to British political and economic interests, few powerful figures in British business, politics or the media feel it necessary to speak out. There is no justification for British overconfidence or sangfroid. The UK needs the EU as much as the Germans or French.

The British are less euro-centric than many other Europeans. They are generally less anti-American and more likely to move to non-European countries to work. And Britain has global interests and reach in ways that small and medium-sized EU countries do not. The country has a permanent seat on the UN Security Council. Like France, it is a serious military power and has nuclear weapons. The question is why so many Britons believe that it will be easier to defend those global interests outside of the EU than within it.

The French elite do not believe that France's ability to defend its interests – which are similar to Britain's – is held back by its membership of the EU. For the French the EU has always partly been about locking Germany into multilateral European institutions and preventing Germany from becoming too powerful. But the French have always understood that France could only remain a significant global power by harnessing the power of the EU as a whole. The benefits of EU membership for Germany are obvious: the country regained legitimacy and respectability through its founding membership of the EU; by

subsuming itself in this multilateral project, it succeeded in drawing a lot of the sting from its history. Far from undermining German power, EU membership enabled it to reassert itself internationally. For the Germans EU membership is a key strategic national interest.

Why does the British elite, and not the French and German ones, believe they do not need the EU? The first reason is their rose-tinted view of Britain's history. There is always a disjuncture between the way a country sees itself and how others perceive it, but this disjuncture is especially large in Britain's case. Britain did not face the need to regain legitimacy in the same way as Germany did after the war, but there are more similarities than most Britons are prepared to admit. Too many see Britain as a beacon of democracy and liberty. Too few are aware that the country's colonial history means that much of the rest of the world is more ambivalent – and that Britain is less trusted and admired – than they imagine.

The emphasis that many Brexiters place on the Commonwealth illustrates this. It is notable that so many former British colonies are happy to be members of such a club, but that is perhaps because they see the club differently from many Britons. India is a member, but sees no justification for privileged economic relations with Britain, as illustrated by the Indian government's rather bemused response to Britain's clumsy emphasis on the two countries' shared history as a reason for some kind of special economic relationship. Nor do the Indians, or any other Commonwealth country, see Britain as leading the organisation in the way many British appear to.

The second reason for the hostility, or at least ambivalence, of the British elite to the EU is that they always resented Britain playing second fiddle to the Franco-German axis. Not joining the EU until 1973 meant that the EU always looked like a Franco-German project that privileged French and German interests to the detriment of those of the other member-states, especially Britain. In short, the British have never been able to wholeheartedly support a European project that they were not the leaders of. And it is this, as much as an aversion to sharing sovereignty, that explains the depth of antipathy to the EU.

Of course, no-one who knows anything about the EU would argue Britain lacked influence within it. The country skilfully used its ties to the US and its EU membership to maximise its value to both sides; the EU helped Britain to punch above its weight. Britain was also instrumental in the EU's embrace of a liberalising economic policy and its enlargement to the East. The latter has helped cement English as the lingua franca across Europe. Britain even managed to negotiate a special status within the EU – part of the single market, but not a member of the eurozone or Schengen. But this kind of influence was never enough for much of the country's elite. For them, the EU's institutions never looked sufficiently British.

Britain's sense of economic invulnerability is even more puzzling. Why does a country that is significantly poorer than Germany, with far fewer internationally competitive industries and greater dependence on foreign capital and managerial expertise, believe it can afford to quit the single market? After all, the Germans would see such a move as gratuitous economic self-harm. Britain's economic performance is no better than France's and on some important measures – not least productivity – far worse. Yet nobody from France's political mainstream seriously entertains the idea that French business or the French economy would benefit from leaving the EU.

Much of the British elite know little about how Britain's economic strengths and vulnerabilities compare with other European countries. They are quick to state that Britain is the sixth biggest economy in the world (just behind France), which it is on some measures. But few realise that three-quarters

of the country is poorer than the EU-15 average, or that its growth performance (at least per head) has been mediocre at best. And few know that there are relatively few British-owned and managed businesses with a strong record of growth. There are, of course, bright spots in the British economy, but a disproportionately high share of those bright spots reflect the involvement of foreign capital and expertise. Indeed, foreign-owned businesses generate over half of the country's exports. Many of these exports are intermediate goods – links in international, predominately European – supply chains; that is, they are vulnerable to Britain leaving the single market. The country's biggest comparative advantage is in financial services and that is to a large extent because London has successfully become Europe's dominant financial centre; the City of London was a relative backwater prior to Britain joining the EU.

Leaving the EU will make Britain less attractive to foreign investors, not more, as many of them have already made clear. After all, firms' decisions where to invest turn on small margins. If the British economy was more locally-owned and managed, it would be easier to understand the British complacency over the economic impact of Brexit; capital would be more susceptible to political pressure and thus less mobile. But for a developed country so dependent on foreign capital to do something so damaging to its ability to attract that capital has few precedents.

Underlying this complacency appears to be a belief that Britain is such an attractive place to do business that investors will continue to come even if the country quits the EU. In particular, the status of London as a preeminent global city appears to make many British politicians and the country's wider elite think that Britain is more important and powerful than it really is, and its economy more dynamic than the rather prosaic reality. London itself has had a terrific 30 years. But much of that is the result of its success in carving out a profitable link in Europe's division of labour: financial and other business services.

Another key reason for British complacency over the impact of Brexit is that much of the country's elite buys into the idea of the EU as a sclerotic, inward-looking economic failure. The EU faces serious challenges and relations between its members have been tested by the eurozone and refugee crises. But the EU is far from the British caricature of it as protectionist, insular and economically illiberal. In reality, the EU's single market is more open than the US market. And the EU has a good record of defending things the British claim to be upholders of – international law, rules-based trade and human rights.

On the face of it, Brexit looks like a protest vote by the left behind. But the underlying reason is the hubris and ignorance of much of the British elite, not just the eurosceptics among it. They are less worldly than they imagine themselves to be. Their exaggeration of British political and economic power has fed the idea that Britain can afford to leave the EU, indeed flourish outside of it. And they have tacitly encouraged the poor and insecure to blame their problems on EU membership, in order to shift attention from domestic policy failures. This message has been reinforced by a stridently eurosceptic, and sometimes xenophobic, print media. The country's responsible papers have been loath to call out the xenophobic ones, either out of exaggerated respect for Britain or growing indifference to the country.

Britain has its strengths, but it is hard to understand why much of the country's elite believe that the French and Germans have more to learn from them than they do from the French and Germans, or why they think Britain would flourish outside the EU. They should consider why it is that when the leaders of China, Russia or the US (most of the time) want to talk to a European leader, they head for Berlin or sometimes Paris, and rarely to London. This is not the result of Britain's membership of the EU, but because the British government has had little to say about the most pressing issues of the day for some

years now. And because it marginalised itself within the EU (and then voted to leave), it can no longer act as a useful bridge to the EU for the US, China or India. The British need to accept that quite a bit of the world sees Britain's past differently from the British themselves – and that EU membership often helped to mitigate these historical tensions, while enabling Britain to punch above rather than below its weight. The widespread belief in Britain that the country is held back economically by its EU membership does not stand even cursory analysis. And the failure to acknowledge the strength of other member-states or of the EU as a whole means it fails to learn necessary lessons from others.

What will happen now? Britain is heading for humiliation. It can back down, accept continued freedom of movement and jurisdiction of the ECJ in return for access to the single market but little influence within the EU or internationally. Or it can stick to its red lines, and end up with little more than a minimum free trade agreement in goods at some point in the future. Under this scenario, the British economy will take a hammering, with the poor suffering most; populism usually hits hardest those it claims to help. Under this scenario, Britain will be alienated from its closest allies – the rest of the EU – and have little international influence. Reality will eventually kick in and that reality will be that Britain needs to rejoin the EU. In all likelihood, it eventually will, though on inevitably worse terms. And it will then have to spend the next 20 years painstakingly rebuilding the influence that it so casually threw away.

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