

neighbours. It first applied for membership in the 1960s but was then vetoed by French leader Charles de Gaulle. Eventually the UK joined along with Denmark and Ireland in 1973. Psychologically, many people of the UK continued to see themselves as an independent nation with a major role on the world stage, rather than a part of Europe to which they geographically belong.

Thus the UK has been reluctant to engage in the deepening of the union. When the SEA laid out the path to the common market in 1986, the British went along with it, because the basic principles – widespread liberalization – reflected Anglo-Saxon principles of a free-market economy, strongly promoted at the time by Prime Minister Margaret Thatcher. However, she negotiated rebates and exceptions for the UK, which won her support at home but few friends elsewhere. When the Maastricht Treaty introduced coordination of environmental and social issues, she negotiated an opt-out from the social chapter. UK firms thus could get away with lesser social standards and shorter notice periods in case they wished to lay off staff. Many people in the rest of Europe – not just trade unions – thought this gave UK firms a rather unfair competitive advantage. After a change in government, the UK surrendered this opt-out with the Amsterdam Treaty. The UK also stayed

out of the eurozone and the passport-free travel in the Schengen Area.

In June 2016, much to the surprise of most British people themselves, a majority of 52% of voters in an advisory referendum voted to leave the EU. Unprepared for this outcome the UK government struggled to define its policy. Many in the governing Conservative party advocated a ‘hard Brexit’ leaving not only the EU but the common market, in particular to end the free movement of people and opting out of at least some of the harmonized industry regulations of the EU. Many also argued for leaving the customs union and instead to negotiate bilateral free trade agreements with the EU and other nations around the world. Yet, they still wanted open borders without controls, especially between Ireland and Northern Ireland. How these expectations could be matched with the rules that the EU applied internally became a major headache for trade negotiators (see Integrative Case “Negotiating Brexit”).

Sources: (1) P. Stephens, 1998, UK’s view of Europe obscured by past glories, *Financial Times*, January 4; (2) D. Watts & C. Pilkington, 2005, *Britain in the European Union Today*, 3rd ed., Manchester: Manchester University Press; (3) S. Wall, 2008, *A Stranger in Europe: Britain and the EU from Thatcher to Blair*, Oxford: Oxford University Press; (4) *The Economist*, 2009, Charlemagne: Those exceptional British, March 28.

Various parties have been arguing for more democracy in Europe, yet for some this implies securing veto rights wielded by (democratically elected) national governments, whereas for others it means more power to the (democratically elected) European Parliament, possibly including the right for the Parliament to elect the Commission. When politicians join this debate it is helpful to ask where they have their own powerbase; national governments are as likely to vote for strengthening the European Parliament as turkeys are to vote for Christmas.

IMPLICATIONS FOR PRACTICE

Businesses operate in a context where the rules and regulations issued by the institutions of the EU (Commission, Council and Parliament) are central to what is permitted and what is not. In other words, the EU is probably more important in shaping the institutional environment for business in Europe than national governments. Businesses thus need to keep their eyes on what is going on in Strasbourg and Brussels (Table 8.4).

Table 8.4 Implications for practice

- Know the rules that apply to your industry in the EU
- Anticipate future changes in the rules by monitoring decision-making processes in the EU
- Direct your efforts of lobbying towards the institutions of the EU

LEARNING OBJECTIVE

- 5 Draw implications for action