

# A double bind: Cameron urges non-discrimination in one policy area, while wanting to discriminate in another

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*The UK government has entered the final stages of its negotiations with the EU. The issues of immigration control and the refugee crisis seem to overshadow the debate. Yet, as **Waltraud Schelkle** points out, the “[Dear Donald — Yours David](#)” letter of Prime Minister Cameron to European Council President Tusk reveals that the other leading issue is financial integration in a European Union with “effectively two sorts of members”, those in the Eurozone and those outside.*



Looking at immigration control and financial integration together, we can see that the UK government has created a double bind for the EU: David Cameron insists that the UK should not be discriminated against in financial regulation, yet he effectively challenges the fundamental principle of non-discrimination when it comes to the treatment of migrants. He urges non-discrimination from the EU in one policy area, while asking to be allowed to discriminate in another. The EU is damned if it does and damned if it doesn't.

Take the question of a new settlement in economic governance, which is the first of the four proposals for reform. David Cameron asks that seven principles are to be respected in this area. They all boil down to ensuring that the non-euro members can participate fully in the Single Market, while conceding that the monetary union must integrate further to stabilise. The second principle puts this most clearly: “There should be no discrimination and no disadvantage for any business on the basis of the currency of their country”. The background to this is that the UK is the world's biggest trading nation in foreign exchange and derivatives, “accounting for around 50% of global turnover in interest rate OTC derivatives and around 40% of turnover in global foreign exchange trading” ([Bank of England 2015: 27](#)). Recently, however, the European Central Bank requested that the clearing of derivatives denominated in euros has to be made in the euro area so as to be under its supervision. The UK government contested the ECB's decision and won its court case; the two central banks entered immediately into swap agreements that ensure that the Bank of England gets access to euro liquidity should one of the clearing houses run into a crisis (for specifics see the LSE Commission report). The Prime Minister wants assurance that there will be no new attempt to take away this lucrative – and correspondingly risky – business from UK financial institutions.

All this sounds fair enough and just serves to remind the EU that it should uphold its constitutional principles while forming a banking union. But the UK's invocation of constitutional principles is immediately shown to create a double bind for the EU. Here is the UK asking for safeguards against discrimination on grounds of currency, in the name of “nine of us outside” (the eurozone). Yet, the same government asks for permission to discriminate temporarily against EU immigrants on the basis of their nationality. This is what the letter's proposals for reforming immigration boil down to. However, should the EU grant the first request for non-discrimination, then it cannot grant the second for discrimination, and vice versa.



## David Cameron

Everybody understands that the Prime Minister has to square the circle while fighting the corner of the UK's biggest export sector and responding to the popular sentiment against immigration at the same time. He has tried to get out of this predicament by redefining the Single Market. At the end of the second area for reform, *Competitiveness*, the letter suggests that the EU should "do more to fulfil its commitment to the free flow of capital, goods and services". To back up the seriousness of his own commitment, David Cameron praises the latest projects of a single digital market and Capital Markets Union, "important measures that British businesses have called for". While it is not entirely consistent with the following section on *Sovereignty*, that asks for the UK to be exempted from the agenda of "ever closer union", this can be read as a signal of constructive engagement.

The signal is that of another double bind, however: the UK is all in favour of promoting the Single Market, yet it must contain only three freedoms. Should the EU somehow forget about the fourth freedom of persons, the Commission could hardly sanction members who would like to temporarily suspend the freedom of capital or services when "the pressures [that free movement can bring] are too great", to quote the beginning of the *Immigration* section of the letter. The UK would be up in arms if such restrictions on free capital movements were allowed.

The report on the financial regulation hearing of the [LSE Commission on the Future of Britain in Europe](#) gives yet another example of this pattern. The UK Secretary of the Treasury, George Osborne, has been quite vocal in signalling that the UK would not block the Euro area from following the "remorseless logic" of monetary integration and forming a banking union, and even a fiscal union. All he wanted was an end to the Eurozone crisis. The Prime Minister reiterates this position in the letter: "[W]e do not want to stand in the way of measures Eurozone countries decide to take to secure the long-term future of their currency. [...] Nor are we looking for a veto over what is done in the Eurozone". Since the UK did not signal any interest in joining a banking union, this paved the way for the ECB to be established as the supervisory authority over banks in the currency union. The banking union split the Single Market. But now the UK Prime minister wants "to make sure that these changes will respect the integrity of the Single Market".

The Wikipedia article on "[double bind](#)" defines it as "an emotionally distressing dilemma in communication in which an individual (or group) receives two or more conflicting messages, and one message negates the other". Unfortunately, David Cameron may become a victim of his own clever strategy. By challenging the fundamental principle of non-discrimination when it comes to the treatment of migrants, while insisting that the UK should not be discriminated against in financial regulation, the EU may have to tell him that it cannot deliver. This is what happens when you put your partner in a double bind.

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