

## EU stress to come

Published: January 16, 2026, 10:07 pm

---

As the [FT notes this morning](#):

*David Cameron's hopes for a far-reaching overhaul of Britain's relationship with the EU were dealt an early setback on Tuesday when Germany said the UK's partners would not be rushed into changing the bloc's treaties to meet its reform demands.*

*In a sign of a broader distrust of London's motives, Wolfgang Schäuble, Germany's finance minister, also lashed out at George Osborne's "silly" and "unnecessary" record of intervening over the eurozone crisis. Many in Brussels believe London intentionally sought to undermine monetary union, Mr Schäuble noted.*

I am no fan of Schäuble, but on this occasion he has a point and, as importantly, the means to back it up. The EU can simply deny the Conservatives much of what they want whether or not it is wise to do so, and have ample reasons in their own minds to do so.

But there are enormous risks in this whole process. The biggest is for the UK, where a few political zealots are driving us from the EU, which move, despite their claims, could be very costly for us all whatever the inherent faults in the EU (and there are many). That risk will be seen in several ways.

The first is in terms of political uncertainty: for a government with a wafer thin majority to choose to be split on an issue and then expect to work together again afterwards when there are deep wounds on at least one side is an act of political naivete.

Then there is the economic risk: the uncertainty that this whole situation creates is bound to have an impact on inward investment, at the very least. It may also have an impact on overall investment, and that is bound to knock growth.

Then there is long-term risk: the massive uncertainty the a vote to leave would create, and the necessary re-negotiations, would harm investment for at least a further five years in my expectation. This appears to be appointed almost nobody has commented upon: the risk does not end when the vote takes place if the choice is to leave.

And all of this is, anyway, an act of economic self-flagellation. To pretend that, somehow, British business will be free of EU regulation if only we leave is absurd: absolutely anybody who has any desire whatsoever to trade with the EU will know that compliance with EU regulation will remain necessary even if there is a vote to leave precisely because EU standards will apply to products and services to be sold in the EU area, and that is our main export market. As such, the chance of economic gain from this is remote.

To all of this comes down to one issue, which is immigration.

There are major stresses resulting from immigration within our society; it would be foolish to deny it. But it is also true that immigration does, undoubtedly, help the UK economically even though there are social consequences. Those social consequences will be harder to deal with in a period of uncertainty, lower growth, employment risk, and the resulting stresses.

To describe the EU issue as a time-bomb waiting to explode underneath this government is, I think, to understate its significance.