

BREXIT AND BEYOND: THE FUTURE OF EUROPE

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Establish defence and security mechanisms to end reliance on external partners.

Balance facilitation and regulation of globalisation; reform the eurozone.

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The Brexit Debate at Home and Abroad

Whatever else it has been, the debate over the United Kingdom (UK) leaving the European Union (EU) has been inward-looking. It has focused, first and foremost, on the question of what Brexit could or should mean for Britain. This narrow domestic focus is also reflected in the Brexit debates taking place in the remaining 27 EU member states. These tend to frame Brexit as the result of factors specific to the UK—

its isolationist mentality, its uncodified constitution, its ‘rabid’ press culture—rather than as the result of the broader problems of European politics. This has led to an overly optimistic debate among the EU27 about the future of the European project.

The double insularity in the debate risks obscuring broader socio-political changes within Europe that arguably influenced the British vote to leave. These factors are affecting other member states

in much the same way as they are affecting the UK, and will not be laid to rest by British withdrawal.

Seeking to redress this imbalance, this policy brief explores the pan-European phenomena that prepared the ground for Brexit, and highlights some of the consequences of Brexit for Europe, drawing on arguments made by some of the 28 leading scholars we brought together for our recent book, *Brexit and Beyond*.¹

1. Martill, B. & Staiger, U., eds, *Brexit and Beyond: Rethinking the Futures of Europe* (UCL Press, 2018) (Download for free at <http://www.ucl.ac.uk/ucl-press/browse-books/brexit-and-beyond>)

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The European Causes of Brexit

Brexit needs to be understood as a manifestation of tensions prevalent across Europe rather than just in Britain. Some of these date back to the earliest stages of integration, and continue to threaten stability across the continent today.

First, there is the growing legitimacy crisis of European institutions, whose democratic credentials are under ever-increasing scrutiny. The 1992 Maastricht Treaty ended the ‘permissive consensus’ of previous decades, in which the legitimacy of the then European Economic Community (EEC) had been secured through the ‘outputs’—largely economic benefits—secured for European citizens (Hooghe & Marks 2009; Isiksel 2018, 242).

Maastricht politicised European integration by adding a number of new and contentious policy areas, from cooperation in foreign policy and judicial affairs to the common currency. These brought the EU into policy areas with important distributive trade-offs. Since then, the EU has witnessed a string of significant challenges to its legitimacy, perhaps the most important of which was the failed Constitutional Treaty of 2004, rejected by citizens of France and the Netherlands in 2005 (Sternberg 2013).

Even as the European Parliament has been given more power over the years, the EU has become associated with democratic and legitimacy deficits. British opposition to the EU mirrors these developments. Conservative

opposition to the EEC/EU peaked at Maastricht, and has remained high ever since, while the growth of the United Kingdom Independence Party (UKIP) was boosted by the debate over the Constitutional Treaty (Glencross 2018, 24).

Second, the financial crisis of 2008-9 contributed to the rise of Eurosceptic and populist sentiment across the continent (Nugent 2018, 57-58). The crisis exposed the inadequate design of monetary integration and the poor implementation of the Stability and Growth Pact, the EU-wide mechanism for regulating fiscal policy. Facing rising unemployment, economic stagnation, and ballooning public deficits, member states were unable to devalue their currencies because of the monetary union (Hall 2014).

With ‘supply-side’ thinking dominant, national austerity measures across the continent led to severe cutbacks to public services and widespread citizen disenchantment with the political ‘establishment’ (Innes 2018, 145). Coordinating the crisis response was also a problem, owing to the absence of an EU-wide banking regulator. This left it to the affected member states to coordinate bailouts and guarantee savings. While initiatives such as the Fiscal Compact of 2011 and the Banking Union established in 2012 have gone some way to solve these institutional gaps (Schäfer 2016), they came too late to convince a majority of citizens that monetary union had been a price worth paying. As Gillingham (2018, 197) put it:

The one-size-fits-all straightjacket of the European Monetary Union (EMU) has plunged the continent into a decade of depression; cheated a generation of young people out of jobs and opportunities; impoverished southern Europe; driven a thick emotional wedge between creditor and debtor nations...; skewed the operation of EU institutions; and embittered the public from north to south and east to west.

The post-crisis situation in Europe has been compounded by sweeping political changes across the continent. With establishment parties losing support to new challengers on the (generally) Eurosceptic political fringes, a transformation of European party systems is underway. The parties of the centre-left have been particularly hard hit, struggling to gain headway under the weight of public concerns about immigration and declining national identity.

In the UK, the populist and Eurosceptic UKIP’s influence on the government’s EU policy dramatically increased, even though they held no seats in the British Parliament. In Germany, the right-wing populist *Alternative für Deutschland* (AfD) is now the third largest party in the Bundestag, with the Social Democratic Party (SPD) reeling after years spent in ‘grand coalition’ with Chancellor Merkel’s Christian Democratic Union (CDU). France’s Emmanuel Macron has reconstructed the liberal left through *La République En Marche!*, nearly wiping out the Socialist Party, while Marine le Pen, candidate of the far-

right *Front National*, gained just shy of 34 percent of the vote.

In Italy, the populist Five Star Movement has, since 2014, been the second-largest party in the Italian parliament. The Austrian Chancellor Sebastian Kurz, meanwhile, governs in coalition with the far-right Freedom Party. The trend is also evident in the former communist countries of eastern Europe, where populist administrations took power in Hungary, Poland, and the Czech Republic.

Popular disenchantment with the EU, anger at policy failures and austerity in response to the financial crisis, and declining support for mainstream parties are all factors that loomed large in the Brexit debate—and are all pan-European phenomena.

Local issues, such as British identity, media culture, and political institutions (De Búrca 2018) were necessary but not sufficient causes of Brexit.

Without an understanding of Europe's broader structural and institutional problems, we cannot hope to make sense of the Brexit vote, nor understand other challenges facing Europe in the EU27 (Bickerton 2018).

A Changing Europe after Brexit

The effects of Brexit will reverberate across the continent. These include a shifting balance of power within EU institutions caused by the removal of the UK's Commissioner, its Members of the European Parliament (MEPs), and its ministers from the Council. Given the distinctiveness of British preferences within the Union—opposed to further integration and to the ideal of 'ever closer Union'—its

withdrawal will have policy implications.

Brexit may well lead to greater coordination in foreign policy, security, and defence at the EU level, as the UK's support for the North Atlantic Treaty Organization (NATO) remaining the preeminent defence and security provider on the continent loses influence. At the same time, Brexit may also pose a risk to EU sanctions against Vladimir Putin's Russia, as Britain has been the key driver behind this policy (Oliver 2017, 528).

Britain has also been the main advocate of a more economically liberal Europe. The UK was a key player in efforts to complete the internal market in the late 1980s and has supported free-market initiatives ever since, including enlargement to the similarly oriented eastern European countries (Hill 2018, 185-186), and opposing more socially oriented measures such as the 2003 Working Time Directive. Brexit may tip the balance in the Council towards a more social democratic orientation, denying Germany the balancing role it has historically played between this and the free-market position (Gillingham 2018, 200).

But some effects of Brexit on Europe are more intangible. The (almost) unprecedented decision of the UK to withdraw from the Union—Algeria and Greenland also took this path, albeit in very different circumstances (Patel 2018, 117)—has caused a sense of existential crisis for the Union. Whether it will galvanise Eurosceptics by demonstrating the viability of withdrawal or

catylyse efforts to protect and complete the European project remains an open question.

The EU27 has demonstrated considerable intra-European solidarity and unity of purpose in response to Brexit, and during the initial stages of the negotiations. Moreover, elections in France, the Netherlands, and Germany failed to bring Eurosceptic parties to power, as had been predicted by many.

But the effects of Brexit are yet to work their way wholly through the system. Should the terms of the final Brexit deal appear favourable to the UK, then calls for withdrawal in countries with strong Eurosceptic sympathies may become more credible. Moreover, the populist threat has not receded sufficiently to rule out further popular challenges to EU reform efforts. Recent electoral 'victories' have been marginal successes at best, while upcoming elections, particularly in Italy, suggest further scares may be in the offing. Much will depend on the ability of national leaders to maintain their newfound sense of solidarity and grasp the opportunity to agree upon key reforms—particularly of the eurozone—that deliver for their citizens.

At a deeper level, Brexit is also likely to alter the balance of power within Europe itself as the UK seeks to secure a more independent role for itself in the world (Hadfield 2018, 177). One consequence will be a shift from the tripartite balancing act between German, French, and British interests that lay behind the most important EU policy initiatives, to a simpler

Franco-German relationship upon which the future of the European project depends. The degree of consensus between Paris and Berlin will become the key variable, as witnessed recently in such varied initiatives as eurozone reform and the launch of Permanent Structured Cooperation to reinforce security and defence (PESCO).

This offers a particular opportunity for France, now the only major military power remaining in the Union (Drake 2018, 97-98). Recent French initiatives to reform the eurozone and to establish a European Intervention Initiative (EII) are suggestive of an increased desire to lead after Brexit. There have even been suggestions France may seek to assume the role of 'transatlantic bridge' previously occupied by the UK. For Germany, which has historically been less willing to 'lead' in Europe, the rebalancing of power after Brexit may require the 'reluctant hegemon' to play a greater role in European defence. There are already signs it is becoming more willing to do so (Paterson 2018, 95).

The effects of Brexit are as seismic for Europe as they are for the UK.

Thinking Ahead

Paradoxically, Brexit may also have positive side-effects for the EU. Previously obscure technocratic deliberations about European integration have become hot political issues. Citizens across Europe, including in the UK, are for the first time publicly debating the purpose and value of the EU.

Now is the time to instigate an honest conversation about the European causes of Brexit and the future of Europe after Brexit. Many of the UK's problems are characteristic of broader European issues, and many of the consequences of British withdrawal will play out within Europe.

Such conversations should focus on three areas in particular:

1. *The EU's Role in the World.*

The complexity of European security arrangements, with multiple overlapping groups and organisations, has long prevented a clear European role in regional and global affairs. The infamous 'capabilities-expectations' gap (Hill 1993) between what Europe promises and what it can deliver in terms of security continues to frustrate progress in this area.

Misrepresentation of the EU's motives in consolidating its security and defence policy has led to unsubstantiated fears of an 'EU Army'. In an insecure international environment, the EU needs to take the opportunity offered by the removal of the UK veto to establish workable mechanisms that allow the EU to meet its security challenges without reliance on external partners such as the US. Although PESCO represents an important step in the right direction, it will need to be invested with the necessary resources and usage by the member states if it is to prove a success going forwards (Sus 2017).

2. *Balancing Markets & Social Protection*

The second crucial question in the years ahead is what kind of Europe its citizens want, particularly in terms of the balance between market creation and social protection. It is clear that many of the driving forces behind British Euroscepticism are rooted in the economic dislocation that has followed the financial crisis.

The EU's response to the crisis served to highlight the fundamental tensions between a European internal market and monetary union on one hand and national regulatory regimes and fiscal policies on the other. The EU will need to reassess the balance between the facilitation and the regulation of globalisation if it is to regain the trust of its citizens. This includes taking care not to further erode the capacities of the member states to intervene in ways that protect their populations from the downsides of globalisation. What is needed is the creation of what van Middelaar (2018, 81) has termed "a Union that protects".

Reform of the eurozone is also key, since a situation in which German exports continue to benefit from the artificially low value of the euro at the expense of the countries on the periphery of Europe is not politically sustainable. Franco-German agreement on the eurozone becoming a 'transfer union' that explicitly redistributes wealth is likely the only way to solve these north-south distributional problems.

3.) *Democratic Legitimacy*

Underlying dissatisfaction with the EU in recent years has reignited debate over the extent of the EU's 'democratic deficit' (Moravcsik 2002, Follesdal & Hix 2006). Concern about the EU's perceived lack of democratic credentials was also a major factor in the Brexit debate, with frequent mention made by the Leave campaign to 'rule by Brussels'.

As the impact of successive reforms has demonstrated, the EU will not be able to solve the democratic deficit through increased citizen representation in transnational bodies such as the European Parliament alone, since the fundamental problem of nationality remaining the more salient connection remains.

Efforts to increase the ability of the EU to deliver for citizens and for future generations of Europeans would be more productive, turning the EU's insulation from the member states into a comparative advantage (Nicolaidis 2018, 215). Another option is to 'trade off' further integration: in return for greater powers for the EU in policy areas where supranational control would be most beneficial, the EU would return or devolve power to member states in other policy areas, in particular where there is domestic controversy (Hix 2018, 78).

Moreover, much could be done to decrease the 'democratic deficit' between the ministers in the Council and national parliaments. This relationship is a key link between national and supranational politics and preferences (Bellamy 2018, 226). If the EU wishes to maintain or

regain the support of its citizens, it needs to ensure it is able to deliver in those areas where it can improve the lives of its people, rather than attempt to re-create domestic institutions at the international level.

Conclusion

The Brexit debate is caught up in a cross-channel divide. In the UK the focus is on the future of British politics and society, not the future of Europe. In the remaining EU27, Brexit is viewed as a consequence of British idiosyncrasy. As a result, how Brexit links to broader issues and problems in Europe has tended to be neglected. Brexit is not just about Britain, but also about Europe's past—and its future.

Brexit cannot be explained without reference to such pan-European problems as the waning legitimacy of the European institutions, the fallout from the financial crisis, or the collapse of established political parties. These challenges are not unique to the UK, and will continue to affect the direction of European politics for decades to come.

Brexit itself will change the EU profoundly by changing the political balance in the Union, both in policy terms and towards reliance on the Franco-German 'engine'. Therefore, the ability of Europe to move forward and not suffer from Brexit lies in re-thinking its role in the world, balance between markets and social protection, and democratic legitimacy. Meeting these three challenges will require recognition of Europe's problems and possibilities on both sides of the channel.

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