

Brexit and its Implications for European Integration

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On the eve of the 60th anniversary of the Treaty of Rome, the UK voted to withdraw from the EU (so-called Brexit). The implications for European integration and EU policies are far from clear and require further investigation. This paper aims to answer: what does Brexit imply for European integration? What messages were sent to the EU from the UK referendum? Did EU leaders interpret these messages and implications correctly and did they respond with the right policy? After examining the competing interpretations, this paper argues that the sharp divisions between different socio-economic classes shown in voting behaviour highlight the imperative of addressing economic inequality and distributive injustice, which are rooted in the structural flaws of EU governance and have been aggravated by the mismanagement of the Euro crisis. To move European integration forward and to keep a ‘political Europe’ sustainable, a ‘social Europe’ making an ‘economic Europe’ more inclusive and fair is required.

Introduction

The result of the UK referendum on 23 June 2016 shocked the world. The Brexit outcome caused immediate political and economic repercussions across the UK and the world. For the UK itself, John Major,¹ the former UK prime minister, labelled it ‘a historic mistake’. For Europe, it was seen as ‘the most consequential event in Europe since the fall of the Berlin Wall’.² The German Chancellor Angela Merkel called it ‘a turning point in the history of European integration’.³

As the UK economy is the third largest of the EU, Brexit will undoubtedly inflict both political and economic damage on the EU. Tangibly, the UK accounts for 15% of the EU economy and one eighth of its population. Intangibly, it is the first time since the creation, more than 60 years ago, of the various European institutions and communities that eventually evolved into the European Union, that a member state has opted to leave. As noted at the Munich Security Conference,⁴ Brexit reverses the EU’s development towards an ‘ever closer union’ by creating an exit precedent.

In what follows, I briefly discuss why Brexit is significant to the EU. The third section looks at how Brexit was interpreted in EU politics. The fourth section clarifies the plausibility of competing interpretations and puts forward my own point of view. The fifth section evaluates whether EU leaders have responded to the event with the right answers.

Brexit: More than an Incident

Even if the UK has always been the most Eurosceptic member in the EU, Brexit should not simply be explained as another example of ‘British exceptionalism’. Euroscepticism does not necessarily mean support for Brexit. In 2015, 60% of UK citizens supported EU membership. Only 30% could be identified as ‘Brexiters’.⁵ Brexit, then is more than ‘just one incident’, as the president of European Council, Donald Tusk, put it.⁶

On the eve of the referendum, the first Vice-President of the European Commission, Frans Timmermans, commented that if the outcome were Brexit this would point to ‘a failure of all European politics’.⁷ His view echoed that of most EU citizens. In a survey held by the Pew Research Center, 70% of people surveyed in nine EU members considered Brexit as ‘bad for the EU’.⁸ Another survey, by Lord Ashcroft, found that the majority, 60%, of the public of the other 27 EU member states supported the UK staying in the EU and that in other EU member states the UK was viewed as one of Europe’s ‘Big Three’.⁹ The point that worried the EU leadership most, however, was the possible political contagion of the Brexit referendum for other EU members. Calls for holding similar referenda on EU membership arose in France, Italy, the Netherlands and Denmark.¹⁰ In his personal reply to the author, an anonymous senior EU official confirmed that the Commission worked hard to prevent Brexit from taking place, even though the same official also felt that Brexit ‘would have no domino effect on other member states.’¹¹ Deep worries by the EU leadership about political contagion, along with sympathy in various other member states for the Cameron government’s request for limiting the EU’s power, explain why the UK was granted ‘special status’ in the EU-UK renegotiations of UK membership.⁸

Still, Brexit materialized. In his response to the Brexit outcome, the President of the European Council, Donald Tusk, downplayed its significance by modifying his pre-referendum remarks, which suggested that Brexit ‘will change Europe forever’, to the post-referendum comment that it was ‘just one incident and not a start of a process’.^{6,12} The President of the European Commission, Jean-Claude Juncker, on the other hand, admitted in his State of the Union Address that the EU was ‘at least in part, in an existential crisis’, but also insisted that the Union was not at risk of ‘disintegration’.¹³ Indeed, the EU would not dissolve just because of one single event of a member exiting. But the Union’s credentials of uniting divisive countries in Europe, which was its original purpose, was questioned. As Oliver observed on the basis of 59 analyses, most commentators agree that Brexit will cost the UK economy much more than that of the EU, and that its impact on the EU will be political rather

than economic.¹⁴ As Germany's economics minister, Sigmar Gabriel, said, Brexit does not pose an economic challenge to the EU, but rather a psychological and political one.¹⁵ As Luxembourg's foreign minister, Jean Asselborn, pointed out, the EU had to explain 'why we needed the European Union after World War II and why we need the European Union for this century'.¹⁶ Barysch and Bildt² predicted that Brexit, in the short term, would lead to anti-EU populist parties growing stronger and louder in their demands and that, accordingly, it would impede European integration. Still, they found Brexit's long-term effects on the EU to be even more significant. They point out that, for over 50 years, the EU has been the driving force of European politics. It has helped overcome national divisions and stabilized democracy for its member states. Brexit substantially diminishes the EU's magnetism and thus exposes the continent to the risk of reverting to historical patterns of national divisions and divergences. In the light of its political and psychological significance to the EU, Sigmar Gabriel reminded EU leaders of the need to deal with Brexit correctly; otherwise, the EU would be in deep trouble.¹⁵

To deal with Brexit correctly, EU leaders first have to properly recognize the implications of the event. This is an issue that has caused many debates and contentions in EU politics. The UK held a very privileged member position in the EU for more than four decades. Therefore, its decision to leave the EU seemed puzzling to many of its continental politicians and commentators. Jo Leinen, a German Member of the European Parliament (MEP), pointed out that the UK has enjoyed so 'many opt-outs, opt-ins and derogations while maintaining full involvement in the EU's decision-making' during its 43 years of EU membership.¹⁷ It is thus hard to understand why a member state as privileged as the UK would give up such an advantageous position.

Interpreting Brexit

Interpretations emerged along three different lines in the EU politics.

Brexit as an Issue of Misinformation and Miscommunication

Some view the Brexit vote as a problem of misinformation and miscommunication. A senior EU official, in reply to the author's query, was of the opinion that the misinformation and disconnection between the EU and its citizens was to a very substantial extent due, on the one hand, to the EU's bad public diplomacy and communication, and on the other hand to the 'tendency of EU governments to turn Brussels into their favorite scapegoat when things don't go well'.¹⁸ Civis Europaeus, a pan-Europe NGO, also argued that the absence of a genuine EU perspective in national and local media, and the constant scapegoating of the EU by national political elites, contributed to the denigration of its image. It cited the previous President of the Commission, José Manuel Barroso, who said that 'if you spend all week blaming Europe, you can't ask people to vote for Europe on Sunday'.¹⁹ Matti Maasikas, the deputy Foreign Minister of Estonia, which holds the presidency of the

European Council during the second half of 2017, after the Brexit vote asked national politicians to demonstrate their courage and conviction to explain the positive effects of EU membership.²⁰ At the post-Brexit summit in Bratislava, the President of the European Council, Donald Tusk, also asked EU leaders to stop the blame game. In the Bratislava Declaration, EU leaders agreed to improve communications not just with each other, as EU institutions, but most importantly, with their citizens.²¹

Brexit as an Issue of the Failure of Leadership

However, many EU leaders at the Bratislava summit considered that Brexit went deeper than just communication problems, that it was ‘a symptom of broader issues’, and that it would take more than public relations (PR) or a media strategy to win back public support for the EU.^{16,22} Some leaders of smaller EU states attributed the problem to the EU’s failed leadership. Czech Prime Minister Bohuslav Sobotka contended that over the past few years the EU had been plagued by a number of crises, from the euro crisis to the refugee crisis, and now the Brexit crisis. A common feature in these crises was the EU’s slow and wavering reaction. The EU’s lack of a rational, systematic approach to these crises, coupled with reactive crisis management policies under the pressure of events, resulted in a loss of confidence and trust in the competence of the EU.²³ Slovakia’s Prime Minister, Robert Fico, suggested that the EU could not only focus on crisis management but had to come up with substantial answers; otherwise the public would lose confidence in the EU, and this would lead to the rise of populism.²⁴ Finland’s President, Sauli Niinisto, put it more bluntly when he said that in many respects the EU had reached an impasse, but that the latter was self-induced rather than externally-imposed. ‘Too often, decisions are made to postpone genuine decisions until later. And even when decisions are made, their implementation often adds up to no more than good intentions’. By acting in this way, the EU had undermined its own future by losing the confidence of its citizens and propagating political discontent. Niinisto reminded EU leaders that ‘discontent is part of democracy’, but ‘what is essential is where and how it is channelled, and by what kinds of leaders’.²⁵ Brexit is a case in point. Political commentator Brunello Rosa, therefore, argued that the biggest threat to European integration was not the rise of populist nationalism, but rather the ‘inaction or ineffectiveness of leaders’.²⁶ The former UK representative to Taiwan, Michael Reilly, also attributed the outcome of Brexit to the reluctance of European leaders to make ‘difficult decisions’.²⁷

Brexit as an Issue of Wrong Economic Governance

Other politicians and commentators contend that it was not inactive leadership that undermined the EU’s appeal. They rather blamed wrong governance for the EU’s impasse. Tomas Prouza, the Czech State Secretary for European Affairs, pointed out that all formerly industrialized regions in the UK had voted for Brexit.²⁸ The EU was seen as a catalyst for globalization and industrial restructuring, which brought higher

economic output but also exacerbated inequality. Indeed, the President of Germany's Bundesbank, Jens Weidmann, Italy's former Prime Minister, Enrico Letta, and the former EU Council official, Luuk van Middelaar, all agreed that, for many Europeans, the EU had lost its shine and become the 'Trojan horse of globalization'.²⁹ In addition, for Antonio Costa, Portugal's Prime Minister, the EU's failure to regulate globalization 'is one of the greatest failures of the European Union'.³⁰ Letta, therefore, argued that economic inequality within the EU could not be ignored any longer and the EU could not stand only for globalization's winners.³¹

Economic inequality thus became the symptom of EU wrong governance. The Chief Economist of the World Economic Forum, Jennifer Blanke, pointed out that, since its 2004 enlargement, the EU had encountered setbacks such as the rejection of the European Constitution, increasingly lower turnouts in the European Parliament elections, the euro crisis and the refugee crisis.³² Still, among all these issues the most serious one was inequality. Recent decades saw a significant increase in income and wealth inequality across Europe. Unemployment, particularly among the young, remained high in many EU countries. Median income stagnated, which meant that growth had simply not been inclusive. These facts naturally led the average citizen to believe that s/he, and her/his children, would be worse off than previous generations, and for this the EU was held accountable. Evidence from the International Labour Organization (ILO) pointed to the economic inequality that young Europeans were experiencing.³³ The ILO warned that under the policy of 'jobs at any cost' in many EU members, Europeans between 18 and 24 years old faced 'relative poverty' because of low-paid temporary or part-time jobs. A large majority of young people, 60% in Spain and Greece, 70% in Italy and Romania, took temporary jobs because of the lack of permanent employment since the 2008 financial crisis. Such involuntary part-time employment has been closely associated with youth poverty.

Thus the question is raised of when the EU changed from its proudly-claimed social market model to one of aggravated economic inequality. A number of commentators have singled out the management of the euro crisis during the period 2008–2015. In his reply to the author, Francisco Gomezmartos, a senior official of the European Parliament, explained that the EU (also in its earlier guises) used to be seen by its citizens as a bringer of peace (after the Second World War, and also after the war in ex-Yugoslavia), and as a source of prosperity and jobs linked to its achievements as the world's largest internal market and the introduction of the euro.³⁴ However, perceptions changed with the euro crisis because of the decisions and policies adopted at the EU level. Austerity policies, in response to the crisis, required EU members to reform social security and pension systems, which had a direct impact on 'the core of economic and living conditions'.³¹ Letta, who was Italy's Prime Minister in 2013–2014, also agreed that the euro crisis, and most importantly the way that the EU had dealt with this crisis, had overturned the equity of the EU, the majority of its population having been turned from winners of globalization into losers. In their joint statement, the Prime Ministers of Portugal and Greece criticized austerity policies for failing on their own terms as they had caused economies to become depressed and societies to become divided by reducing the social safety net

that enabled equitable growth.³⁵ Middelhaar pointed out that this was why the old narratives of the EU as provider of peace and prosperity were no longer sufficient to stem dissatisfaction and disillusionment among voters.²⁹ The EU's legitimacy, based on providing common benefits, was 'in question'.³⁶ Therefore, Taylor called for breaking the link between 'Europe and austerity',³⁷ and Baker argued that the EU must 'take a course other than austerity in order to save the EU'.³⁸

Other commentators prescribed more long-term and structural causes than just austerity policies as sources of contention. In his talk to the author, Jan Zielonka, a Professor of Politics at Oxford University, contended that the EU was supposed to reconcile the strong and the weak, the large and the small. In fact, though, the EU had been undergoing a long economic revolution of neo-liberal ideological making, referred to by some as globalization or Americanization. This had manifested itself in de-regulation, marketization, privatization, and cuts in social welfare benefits and environmental protection with an eye to enhancing global competitiveness. Consequently, redistribution of wealth had been left to the markets. The harsh austerity policies after the euro crisis were only the products of such an ideology. In light of this, it becomes understandable why many people, especially those unemployed, saw the EU as an agent of multinational banks or German industrialists.³⁹ Zielonka's arguments were verified by Luuk van Middelaar, a former EU Council official under the Van Rompuy presidency, who said that for the longest time EU policy-makers believed in the so-called 'Brussels doctrine', in which free market integration among EU countries was believed to lead to 'grateful societies'.²⁹ Lang exemplified such liberal economic governance with the recent example of Apple's legal tax evasion in Ireland.⁴⁰ She argued that this case vividly showed that, instead of taxing multinational corporations and investing in social welfare, European leaders had yielded to and served the interests of these multinationals. In her view, such economic mismanagement was much more harmful than the refugee crisis to public trust in the EU leadership.

A survey of the Pew Research Center confirmed the negative perceptions of EU citizens on the EU's management of the economy.⁴¹ Among the ten EU members being surveyed, the overwhelming majority of public opinion disapproved of the EU's economic governance. Only in Germany and Poland did approval top disapproval. In Italy, France and Spain, approximately two-thirds of people surveyed expressed their disapproval, while the highest proportion was found in Greece (92%). On the issue of the refugee crisis, public opinion in all ten countries surveyed disapproved of the EU's governance. In other words, on two issues that citizens felt most personally and directly affected by in their daily lives, the EU was seen as incompetent. If 'the ultimate fate of the EU [depends] on how ordinary citizens view the role of Europe in their lives', as Fligstein et al. argued,⁴² it can be easily explained why Euroscepticism became 'the new normal', as Harding described.⁴³

Interpreting Brexit's implications from this perspective, most commentators suggested that the EU leadership return to the European social model. Prouza²⁸ argued that the EU had to find a common approach to moderating the costs of globalization by restoring the European social model. Otherwise, the increase in

economic inequality and the decrease in social cohesion would result in growing popular discontent and the rise of extremist populism. Along the same lines, Blanke suggested that the EU introduce a new type of social contract to address the inequalities both within and across the Union.³² Middelaar asked the EU to stop undermining the European welfare state, and that the Union should provide not only freedoms and opportunities, but also protection for its citizens in external borders and in its economic life.²⁹ As Weidmann, the president of Germany's central bank, pointed out, '[market] integration cannot be an end in itself, it has to make sense'.²²

Perspectives Held by this Paper

The three factors outlined above, to a larger or lesser extent, all contributed to the public's anti-EU sentiment. However, the EU's problem of misinformation and miscommunication is not a new phenomenon. Since the rectification crisis of the Maastricht Treaty in 1992, the EU has been suffering from this disadvantage. The veto on the EU Constitution Treaty in 2005 is another example. However, such a disadvantage has not substantially affected the public's commitment to European integration. According to Eurobarometer, from 1994 to 2013, a clear majority (47–54%) of people surveyed were supportive of the EU. Even during the period of 2009–2013, the height of the euro crisis, 47% of people surveyed supported the EU, while only a minority, 17%, thought EU membership was 'a bad thing', in spite of the fact that only 29% of respondents thought they were 'well-informed' about the EU.⁴⁴ A post-Brexit-referendum survey showed that, compared with other political institutions, the EU received higher support than national governments and parliaments of member states.⁴⁵

In other words, the majority of European citizens have indeed been 'badly-informed' about the EU. However, such a permanent weakness did not cause a challenge to the EU or diminish the public's trust in it. Compared with the EU, member states enjoyed much more resources and channels for propaganda but this did not result in higher public support. Therefore, to interpret Brexit as an issue of misinformation and miscommunication was hardly convincing.

As to the explanation of leadership failure, leading countries, and especially Germany, were heavily criticized for inadequate behaviour in recent crises. Their bad performance, to some extent, aggravated the seriousness of the crises. Germany's slow response to the euro crisis helped the crisis expand from the periphery of the Eurozone to its core economies. However, even when the leadership finally actively intervened, with Germany getting the Fiscal Compact approved by 22 EU members in just 2 months, the crisis was far from over. Similarly, Germany's strong leadership in the refugee crisis was not appreciated by a number of EU members. It even increased internal disputes and conflicts over the relocation system and the public's dissatisfaction with the EU. In other words, the failure of leadership in crisis management, has indeed escalated the situation, but strong leadership has not solved, and may even have complicated, the crises, let alone restored public confidence in the European project.

Viewed from this perspective, the collapse of the public's faith in the EU, as manifested in Brexit, was not due to the lack of strong leadership, but rather to the wrong policies implemented by that leadership. Empirical evidence from the Brexit referendum – clear divisions between regions, generations, educational background, income levels and social classes – highlights distributive (in)justice as the deciding factor behind voting behaviour. The increase in economic inequality and distributive injustice was largely the product of wrong governance, and shows up the EU's two structural flaws in its governance. First, EU leadership, with its firm belief in economic liberalism, has been shirking its duty on distributive justice and has left the issue to the markets for too long a time. The fact that the Brexit vote occurred at a time when the UK economy was recovering shows that a rising economy cannot lift all boats. Neither can the market mechanism automatically alleviate economic inequality. The Brexit outcome, therefore, is the price paid for the EU leadership ignoring the deterioration of distributive justice. Second, following the same economic ideology, European integration has been reduced to a large economic project with, as major achievements, the creation of a single market and a joint currency, both of which focus on enhancing market efficiency only. Issues of social cohesion and integration have never been properly addressed. In other words, 60 years on, European integration has been realized only as far as economic and monetary aspects are concerned, without any parallels in social integration and citizen protection. The EU, as a result, has been limited to an 'economic/capitalist Europe', but has not become a 'social Europe'. Furthermore, in order to better pursue 'economic Europe', social protection at the member-state level had to be dismantled without any replacements at the EU level. The unravelling of the social safety net within the EU, accordingly, aggravated the distributive injustice, especially at a time of economic crisis. The EU, therefore, experienced a rupture between the winners and losers of 'economic Europe', and divided EU society into the elite and the common people, with different world views. Brexit was the most dramatic, backward step taken by those who felt left behind by 'economic Europe'.

Such wrong governance exercised by EU leadership not only distorts the very aims of European integration – achieving a 'political Europe', aiming at perpetual peace and unity – but also backfires as to the EU economic project. The Brexit outcome, thus, should be seen as the most serious warning to date with regard to failing EU governance.

Responses to Brexit from EU Leaders: Competing Arguments between 'More Europe' and 'Less Europe'

In their common statement on the result of the Brexit referendum, the EU leaders of the 27 member states, the Council and the Commission indicated that they would start a political reflection on the EU's future.⁴⁶ However, such a reflection hitherto has failed to produce any consensus on reforms or policy changes in the post-Brexit EU. Instead, EU leaders, reportedly, were divided on how the EU should react to Brexit and rising Euroscepticism. One view, supported by France, Italy, Spain,

Portugal and Greece, inclined to further integration to address the common problems of growth and security, the so-called 'more Europe'.⁴⁷ In its Economic and Finance Ministry's report, the Italian government recognized the inappropriateness of the EU's management of the Euro crisis as it exacerbated divergences and segmentation between the core and the periphery.⁴⁸ It therefore called on EU leaders to change economic governance from the current austerity policies to more growth-friendly fiscal ones, and to introduce pan-EU unemployment benefits and insurance schemes as the first steps to build necessary trust for further integration.⁴⁸

By contrast, the other view, supported by Germany, the Czech Republic, Hungary, Poland and Slovakia, inclined towards less interference but more efficient EU powers, the so-called 'better Europe'. Two sub-groups, EU-Med and the Visegrad group of four Eastern European countries, emerged to compete within the EU as a result. Lithuania's President, Dalia Grybauskaitė, called the fragmentation among EU leadership as a more serious challenge than Brexit.⁴⁷ The open discord between leading EU countries embodied what John Holmes described as a fundamental dilemma facing the EU: it cannot solve recurrent crises without further integration, but such an approach was less acceptable than ever after Brexit.⁴⁹

In his post-Brexit speech to the European Parliament, the European Commission President, Jean-Claude Juncker, warned EU leaders that he had been a witness to EU integration for several decades but had never before seen so much fragmentation and so little commonality in the EU at a moment when it had 'a very important choice to make'.¹³ On the eve of the 60th anniversary of the Treaty of Rome, the Juncker Commission proposed five 'scenarios' for the EU's future for member states to deliberate.⁵⁰ In response, the core group of EU countries (the six founding members along with Spain), suggested a 'multi-speed Europe' to reconcile 'more Europe' and 'less Europe'.⁵¹ However, this was rejected by the Visegrad countries who feared being classified as 'second-class' EU members and it was excluded from the 'Rome Declaration'.⁵²

The competing views on the EU's responses to Brexit, in essence, reflect the long battle between intergovernmentalism and neo-functionalism in the history of European integration. The only noticeable difference was that Germany, in contrast to its traditional integrationist stance, took a more nationalist view this time. The EU, again, was expected to simply ride out the impact of Brexit because of a lack of consensus on policy responses among EU leaders. Such muddling-through would once again re-confirm people's negative perceptions of the EU's inept leadership and economic mismanagement. The unsolved trust crisis with the EU thus would only guarantee the continuing growth of Euroscepticism and bring with it the promise of another crisis developing in the near future.

Conclusion

On the eve of the 60th anniversary of the Treaty of Rome, European integration suffered the setback of the UK withdrawing from the EU, the first time ever for a member state to take such an action. Although triggered by a political miscalculation, the meaning of Brexit for European integration is by no means 'just an incident'.

While its implications were heavily contended in EU politics, the sharp divisions between different socio-economic classes shown in the Brexit referendum highlighted the imperative of addressing economic inequality and distributive injustice. The latter have been structural flaws of the EU's governance for a long time, and they became aggravated after the mismanagement of the euro crisis. Those who did not benefit from but felt deprived by 'economic Europe' voted for Brexit. They acted just as economically rationally as those who voted for Remain.

While EU leaders quarrelled over 'more or less Europe' as a response to Brexit, messages sent from this historic event to European integration were crystal clear. Whatever the scenario that the EU would evolve into, a 'social Europe' that makes 'economic Europe' more inclusive and more fair is required to move European integration forward and to keep a 'political Europe' sustainable. Whether and how the shocks of Brexit will result in any changes to EU governance and its long-held 'Brussels doctrine', remains to be seen. What is sure is that a failure to address economic inequality and distributive injustice with timely and correct policy answers will underpin movement to make European integration collapse and promises to saddle the EU with another crisis in the near future.

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