

Europe's future after the British vote

A WAKE-UP CALL



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Robert Steenland

Born in 1989 in the Netherlands. Currently finishing his double-degree master in European Governance at Utrecht University and the University of Konstanz. Has a bachelor in international affairs, as well as a bachelor in law and economics from the University of Leiden. Additionally he has done summer schools on European Studies in Austria, Norway and Croatia. Worked before at a bailiff office as an account manager. Currently works as an analyst at the Centre of International Relations (CSM).

Many have predicted economic downturn and tragic political consequences if the UK goes for Brexit and leaves the EU. Whatever the referendum brings, Europe should use it for its own good. The European Union needs reforms if it wants to keep this project alive and tackle the challenges it is facing. This would require a multi-speed Europe with a strong inner core that takes the lead. One thing is certain – there is no “business as usual” after the British vote.

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Many have speculated on potential consequences if the UK indeed leaves the EU. While UK politicians that are favouring to leave the EU point out that they would be stronger as an independent sovereign nation, most economists, financial institutions and experts both in Britain and the EU agree that it would have negative political and economic consequences for the country and for Europe, although they differ on the exact impact of such an event. At the same time, one can't forget Britain is only a strong example of raising Euroscepticism in the EU. The EU must address this somehow in one way or another. The major question we face today is how to reconfigure the European project in order to make it capable of our current challenges, but the focus should be realistic. In this commentary, I argue for a multi-speed Europe with a strong inner core that should take the lead.

Rising challenges

Europe is currently facing challenges from all sides. Internally when it comes to the rising Euroscepticism along with the rise of far-right parties. There are also still the repercussions of the financial and Euro crisis that we still have to deal with. The case of Greece is particularly difficult, because of its unsustainable debt. The refu-

gee crisis has brought even more turmoil in the EU. Furthermore, member states like Hungary and Poland go through a difficult period when it comes to democracy. On top of all this, the EU is currently facing the imminent threat of one of its biggest members - the United Kingdom - leaving the club.

Externally, the EU has been challenged as well. First of all in the case of the Ukraine Crisis, where Russia has showed its willingness to use force and annex foreign territory – unprecedented since WW2 in Europe – and is further destabilizing the key area of the Middle East, in which it supports the authoritarian regime of Bashar al-Assad in Syria. This has not only led to more instability in the region, but has furthermore caused a substantial increase in refugee flows, that in turn has led to more internal problems in the EU. The rise of the Islamic State in Iraq and Syria have further destabilized the Middle East in general. These developments have stimulated further refugee flows that are putting pressure on the EU, as well as on the Balkans, which has a difficult history of itself, and is struggling to cope with the refugees that use their countries as transit zones.

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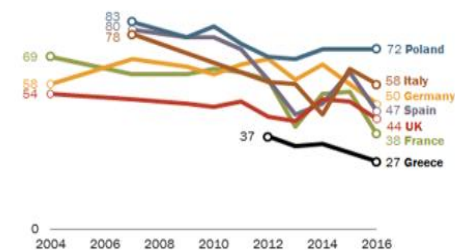
The long negative trend

When it comes to a potential Brexit, it is a symbol of a much larger problem: rising Euroscepticism and a declining trust in the EU all over Europe. The report by Pew Research Center and the latest Eurobarometer confirm this trend, in particular for some countries like France that have become more disillusioned about the project than the UK:

After short-lived rebound, views of the EU on the decline again in key European countries

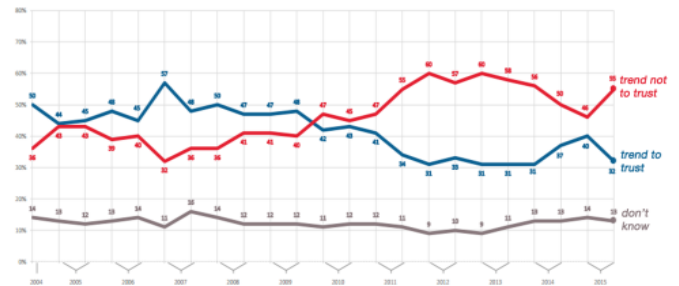
Favorable view of EU

100%



Source: Pew Research Center¹

¹ For the full report on the declining trust in the EU, read here: <http://www.pewglobal.org/2016/06/07/euroskepticism-beyond-brexit/>



Source: Eurobarometer 84²

The trend has a long history however. As can be seen from the two diagrams, the trend of declining trust in the EU has already set in after 2004, in the aftermath of the EU enlargement to the east and the subsequent defeat of the Constitutional Treaty in 2005 by referendum in France and the Netherlands. The following Lisbon treaty did not reverse this trend. It was initially voted down in Ireland while other European countries simply avoided voting by not holding referenda. After a second vote in Ireland, the Lisbon Treaty was only agreed on in 2007 and ratified in 2009. Ever since, the European Union seems to have found itself in a new period of 'Eurosclerosis'.

² For the full report of the Eurobarometer 84 of Autumn 2014, read here: http://data.europa.eu/euodp/en/data/dataset/S2098_84_3_STD84_ENG

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The negative opinion on the EU in Western Europe was reinforced due to the immigration from Eastern Europe, after the labour market to them was opened. This led to the so called “enlargement fatigue”, and put accession of the Balkan countries and the Eastern Neighbourhood countries on hold. The new Commission’s President Jean-Claude Juncker confirmed it by saying there will be no enlargement during his term. In the same time, the case of Turkey has become a no-go, also because of the worsening internal situation in the country when it comes to democracy, freedoms and human rights. Even the British Prime Minister David Cameron who had favoured the Turkish bid initially, changed his opinion.

The financial crisis in the euro zone has furthermore polarized opinion and reinforced the sceptic trend in the EU as a north-south gap has emerged. Greece, France, Spain and Italy in particular have toned down their optimistic stance towards the EU after the economic downturn. While in general the southern countries demand more solidarity, the northern countries are more sceptical towards more financial assistance. The same problem applies on the refugee crisis, in which Member States fail to agree on refugee quota’s to be distributed, on common asylum policies as well as on

border control. While Prime Minister Victor Orban in Hungary decided to build fences, the German Chancellor Merkel favoured a more open refugee policy. A west-east divide between countries emerged as well. The Visegrad club that is composed of Hungary, Slovakia, the Czech Republic and Poland firmly oppose refugee quota’s which they see as an attack on their sovereignty.

Earlier this year, the Dutch held a referendum as well on an EU matter on 6 April 2016: the EU-Ukraine Association Agreement, which it rejected by a majority³. Last year on 3 December 2015, the Danish also voted on the opt-out it has with regards to Justice and Home Affairs. The referendum resulted in a negative result as well. Both results showed a Eurosceptic tendency in these countries, that has been widespread among Europe.

Too little too late

With each of the described challenge the EU has faced, it has shown to act inadequately, and often when it does it is too little

³ An analysis on the Dutch referendum can be read here:
<http://csm.org.pl/en/publications/category/60-2016?download=777:cir-analysis-steenland-dutch-referendum-22-04-2016>

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too late. The Euro zone even got close to breaking up in the summer of 2012 if it wasn't for the bold statement by ECB President Mario Draghi to do whatever it takes to maintain the Euro. Later on, institutions such as the ESM and the Banking Union have been set up, but many doubt whether this would be a viable solution for the long-term. Greece might still need more financial help in the future. Debt redemption has been mentioned often as a long term solution for Greece, even by the IMF, but the EU has so far failed to bring about a long term solution for the country and for the Euro zone as a whole that is. If another financial crisis would hit us, perhaps as a result of the Brexit or a further slowdown of the economy in China, it is unclear whether current institutions are sufficient to adequately deal with such problems. Especially if not a small member state but a big member state like France would be in the spotlight of economic speculation.

When it comes to the Ukraine crisis, it could be said the EU acted surprisingly in unity as they agreed in the end to implement sanctions on Russia, following its annexation of the Crimea and its invasion of the Donbas region in the east of Ukraine. However, it took a long while before the EU could actually agree, especially since some mem-

ber states such as France, Greece, Hungary and Italy are more opposed while most of the Eastern European countries and the UK were in favour of more far stretching sanctions. It took the major airplane disaster of MH17 in which hundreds of – mostly Dutch – people were killed, before the EU finally acted together, which is suggested to have halted some of Russia's ambitions. But the sanctions remain weak, and require extensions every half year, which have come under further threat. Some member states have stated they should be rolled back already. A single member state could still exert its veto on the policy, which undermines the sanctions policy and with that the EU foreign policy in general. If the UK would leave, it could further undermine its sanction policy.

The refugee crisis however tested the EU to the largest extent. No strong common approach was adopted, when it comes to border control or asylum policies. Every individual member state had their individual approach, with Austria (initially), Germany and Sweden being more welcome to refugees, while countries such as Hungary and other members of the Visegrad were more sceptic to accepting refugees. The refugee quota's that were agreed on after long sessions, which did not even cover most of the

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refugees but a mere portion of it, are still not being implemented. Some countries have outright rejected to cooperate with the system, such as the mentioned countries.

It again shows the EU is failing to deal with a core problem. In this case, the refugee crisis has to be seen as a symptom of the root crises of war and conflict in the Middle East and (North) Africa, which are triggering these flows. In this regard, the EU has also failed to play a role in solving these conflicts and bringing about peace.

Wake up call

Whether the UK stays in or not in the EU, the British vote should be a wake-up call for all. The necessary reforms would require more differentiated integration and a new set up of the European project. In practice, a lot of differentiated integration has taken place already, looking at schemes such as Schengen, the Euro zone and the recent innovations during the Euro crisis. Furthermore, despite the setbacks, there has actually been more fiscal and financial integration such as unprecedented common liability in rescue funds, centralizing financial supervision and reducing state sovereignty in budgetary policies. Such innovations are already increasing divergences in integration be-

tween Euro zone and non-Euro zone members. This does not have to be a bad thing. There have been ideas before of a 'multi speed Europe' or a 'core group' inside the European Union. De facto this is already the case which can be institutionalized and further expanded.

More differentiated integration can be constructive in solving the British problem and bridging the differences between more and less pro-European countries and to provide a scenario for a more closer integrated Euro zone compared to a looser European Union. Effectively this would imply a multi speed Europe. To realise and institutionalise this a new convention should be hold which should not come up with one new format, but different models to accommodate the differences in attitudes and interests towards more integration.

The UK could become part of a less integrated model while the Euro zone countries could form a more integrated model. The first model would focus only on regulatory policies related to the internal market except for the free movement of labour. Crucially, so called "core state powers" such as policies related to border control and immigration - which are sensitive to the UK and others - should be left out of this model,

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while common fiscal and economic policies should be part of the more integrated model. Complete separation however should be avoided. All these models should stay part of a common institutional framework.

If this is implemented, a core group could take the lead in the integration process while keeping it possible for others to join in later. This would accommodate the need for more economic and fiscal cooperation for the Euro zone members and accommodate the special wishes of the UK and possible other countries to prevent it leaving. Furthermore this could also potentially depoliticize further enlargement to the Balkans or even Turkey which would not be able to halt the process of integration as the UK has done on several occasions, nor would new member states be able to directly enjoy the benefits of freedom of movement of labour. An important condition should however be respected when coming up with new models. Those who choose not to integrate for example, should not be allowed to have the opportunity to free ride on benefits which are generated by those who did integrate. A cherry pick EU should be avoided.

While these suggestions would kill the idea of 'ever closer union' for the outsiders, it would prevent further disintegration, a

process which could start already if the British would vote to leave. Such reform will not be easy, since even former pro European countries have become more sceptic as argued earlier. If however constructed carefully and adequately informed in a democratic process to the citizens of Europe afterwards, the European project could remain viable and unsustainable, although not in its current state. It would be a reformed and more realistic project, composed of an strong integrated inner core and a more flexible outer core.

In my opinion, this is the only way to have efficient decision making again and deal with the challenges we face now in an adequate way to regain the trust of the citizens that has been lost. Otherwise, the most important peace project that has ever existed in Europe, could fall apart. This would mean bad news for Europe, especially as the world is increasingly becoming multi-polar and the influence of the West in general is declining.

Centre for International Relations (CIR) is an independent, non-government analytical centre established in 1996 which deals with Polish foreign policy and the most important issues of international politics. CIR is active in research, education and publishing, organises conferences and meetings, and participates in international projects in collaboration with similar institutions in many countries. CIR creates a forum for debate and exchange of ideas in matters of international politics, relations between states and challenges in the global world. CIR's activities are addressed above all to local-government officials and to entrepreneurs, as well as to officials of the central administration, politicians, diplomats, political scientists and the media. In 2014, CIR was again recognised as one of the best think-tanks in East-Central Europe in the study "The Leading Public Policy Research Organisations in the World" conducted by the University of Pennsylvania.

CENTRE FOR INTERNATIONAL RELATIONS ul. Mińska 25, 03-808 Warszawa t: +48 22 646 52 67

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