Brexit and Beyond
Martill, Benjamin, Staiger, Uta

Published by University College London

Martill, Benjamin and Uta Staiger.
Brexit and Beyond: Rethinking the Futures of Europe.
University College London, 2018.
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Speculation about the future is not necessarily to be sneered at. At times it can be useful and even necessary, if only to shed light on long-term historical trends often obscured by the crushing avalanche of daily news as reported by the media. Brexit is a case in point. Developing an understanding of its impact on Europe is no straightforward matter. It will require explicating any number of complicated interrelationships that unfold across several planes. The domestic politics of Great Britain is only one of them. Another is, of course, the state of the EU. Finally, larger forces are in play: an emergent China and advanced new technologies are driving change forward at a breakneck pace. In addition, an erratic and untested American administration is in office.

The number of variables is daunting. The eventual consequences of the recent elections in Great Britain and France cannot be predicted. The actions and impacts of President Trump’s foreign policy must still be subject to speculation. An even larger spectre hovers overhead: the possible creation – for better or worse – of a new international order to replace the American-designed system put into place after World War II.

Present uncertainty has given rise to both hopes and fears but also to public confusion as well as an inordinate amount of theorising about the future. It would be rash at this early date to project a scenario of events, let alone predict eventual outcomes. Surprises are in store. At the same time, long-run historical trends will likely in the end determine how Brexit changes both Europe and Britain’s relationship to it.
An electoral shock

The first surprise of the summer of 2017 came with the mistaken decision of Prime Minister Theresa May to call for a snap election in order to strengthen Britain’s hand in the then forthcoming Brexit negotiations. It cost the Tories their parliamentary majority. Since the Brexit talks are still barely under way, it is impossible at this point to gauge how much, and to what effect, the UK’s bargaining position has been weakened. There will, however, be no turning back from the decision to leave. The British assertion of parliamentary sovereignty will stand, and laws crafted by the CJEU will be subordinate to law made in the UK.

None of the dire predictions of the former Remain campaign, which might have reversed the referendum results, has come to pass. Above all, the British economy has not tanked and shows no signs of doing so. If anything, it has done rather well. ‘Buyers’ remorse’ has therefore not put in a significant appearance. Nor does the reproach made by the Remain party that Brexit will lead to isolation carry much conviction. The British government has not ‘gone nativist’ or turned its back on Europe but seeks a new accommodation with it which, God willing, will result in global trade liberalisation, promote innovation and, in the end, may even improve the prospects of a reformed EU. Nor should the election’s outcome be understood as a rebuke to Tory policy towards Europe. The Brexit issue in fact barely figured in Labour’s campaign, which emphasised domestic policy to the virtual exclusion of Britain’s future relationship to the EU. The occasional remarks of party chief Jeremy Corbyn on the subject can charitably be characterised as confused.

In spite of Prime Minister May’s recent setback, Britain’s chances of withdrawing from the EU on suitable terms seem good, at least as viewed from the perspective of the domestic scene. She has effectively neutered UKIP. The Scottish Nationalists were crushed in the election, and the ineffective Labour opposition cannot possibly form a government. The real threat to May is resistance from hard-liners within her own party (Chaffin 2017).

The Trump factor

Britain’s chances of success in the Brexit negotiations will hinge in no small measure on international events, and in particular on the actions of the brash and mercurial American President Donald Trump, whose administration is still emerging from an infantile, post-election phase
of policymaking. Nonetheless, governance by Tweet is gradually giving way to business as usual, and egregious public outbursts are yielding to golf course diplomacy. Trump may actually be starting to act like a genuine Republican. This should not be unexpected. His cabinet and circle of advisors are dominated by the usual big boys: representatives of Wall Street, the Pentagon and corporate America – the latter now including the giants of Silicon Valley. Only one thing may be said with certainty about Trump's intentions: he is committed to a ‘growth agenda’ based on the ‘supply-side’ economics of his predecessor, Ronald Reagan. Its failure could bring down his administration. The main political task facing the bombastic president is to appease his core electoral constituency of less than well off white folk, by means of gesture and rhetoric, while adopting policies which, while arguably beneficial overall, are contrary to their specific interests.

Trump's foreign policies must be seen in light of this domestic priority. There is much less to their purported radicalism than meets the eye. Here one must tread carefully. The president's understanding of international affairs is limited – how limited is, at this point, anyone's guess. This unpleasant fact is surely alarming, but hardly unique in the history of the American presidency. Ronald Reagan's knowledge of the world beyond Hollywood was equally sketchy. As reality sets in, Trump will have little choice but to back away from the outrageous stances of his early presidency and revert to the path of traditional American foreign policymaking. This trend, already evident in instance after instance, still has a long way to go before one can speak confidently of a return to the norm. And what happens between now and then cannot, of course, be foreseen. Yet, Trump no longer bashes NATO, has done nothing recent of significance to restrict immigration, and has backed away from the proposed wall along the border with Mexico. NAFTA will furthermore not be trashed but cosmetically enhanced, the TPP (Trans-Pacific Partnership) can be revived by the stroke of a pen, and the trans-Atlantic counterpart, the TTIP (Transatlantic Trade and Investment Partnership), faces greater opposition from Europe than from the US, where it never has become a significant public issue.

The US president will also try to revise the terms of the commercial relationships between America and China and between America and the EU, the main sources of trade discrimination against the US. Washington's efforts to re-fashion such trade deals do not, however, herald a return to the evils of beggar-thy-neighbour, but do betoken a shift in the balance of power among those who indulge in unfair commercial policies. Events favour such an approach. World commerce is slated to increase
substantially over the coming years (Thomas 2017). Export competitiveness will remain at a premium in economic policymaking – a truism that will repeatedly be reinforced by the president’s economic advisors (Ross 2017a, 2017b).

Three considerations will increase the likelihood of Trump’s future pursuit of trade liberalisation: a better understanding of global economic interdependence; an inkling that the world is on the brink of a new technological era; and a realisation that his growth agenda will require acceptance of, as well as accommodation to, these realities (Financial Times 2016b). The president is moreover being pushed in this direction by heavy lobbying of powerful conservative pressure groups like farmers and ranchers, manufacturing exporters, as well as the automobile and petroleum interests (Ross 2017c).

Trump’s presidency can be counted upon to produce policies little different from those of his predecessor. Like it or not, the outspoken man in the White House must build upon a legacy of bipartisanship in foreign policy. Continuity should become the rule, unless, of course, a string of unwitting White House blunders topples the apple cart. The possibility cannot be ruled out that Trump’s intemperate behaviour catalyses something heretofore absent at the EU: a sense of Euro-patriotism strong enough to unite an administrative and political entity that is both deeply demoralised and all but immobilised by institutional flaws as well as bad policymaking.

The EU faces Brexit

Such an outcome, though optimal from the European standpoint, would be improbable for any number of reasons. Democracy did not figure in Monnet’s original scheme and since then has only entered EU politics as an afterthought. Official Brussels continues, as always, to mistrust and manipulate the public. It follows that the EU has never won its citizens’ affections, not to say loyalty. Policy errors of the past 20 years have furthermore driven Europe into a decade of depression and internal strife. Neither the will nor the necessary means to turn around the grim prospects facing it are at hand, or are soon likely to be (Ross 2017c).

Even a severe critic of the EU must acknowledge its remarkable initial accomplishment – devising a diplomacy of reconciliation in post-World War II Europe. But its years of greatness belong to a distant past. The EU has gone out as a beacon of hope for Europe’s future. The EU actually crossed a point of no return many years ago – with
the collapse of the ill-considered constitutional project in 2004. The debacle put paid to the dreams that it could evolve into a political federation and that the Single Market would ever be more than partially completed (Gillingham 2006, 47–54). Unachievable by fiat, a policy trajectory leading to Europe’s federal future would have required years of consensus-building anchored in a record of success. Such a thing is hard to detect.

The shoddy and self-serving constitutional document served up for the approval of the member states in 2004 was so byzantine and opaque that not even its official sponsors could make sense of it. The famous Non in the French constitutional referendum of that year, which doomed the federal project, thus could not have turned on the merits or demerits of a proposal that no one understood, but instead grew out of a campaign waged on an issue of only secondary importance in the document itself, which was, however, fundamental to the nation’s voters: a deep-seated aversion to foreign competition for jobs. The rejection of the proposed constitution both killed the hope of a politically united Europe and undermined the credibility of the fourth supposedly inviolate fundamental principle of the EU – unrestricted labour mobility between Member States – which went up in flames (Gillingham 2016, 120–141).

The eurozone project was an attempt to circumvent the EU’s mounting unpopularity by imposing an economic fait accompli. The idea underlying it was that a single currency would require and generate common economic policies, thereby eventually forcing the formation of a political union. This grand plan has failed so miserably as to call into question the existence of the EU itself. 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; stifled innovation across the community; weakened both public and private finance; restricted European policymaking essentially to crisis management; skewed the operation of EU institutions; and embittered the public from north to south and east to west (Gillingham 2016, 153–4).

If pro-EU optimists, whose annual growth predictions have consistently been wrong for nearly a decade, are right this time, recovery from the protracted depression in Europe may have just begun, thanks albeit largely to the superior economic performance of the US and China. It will nevertheless be many years until European memories fade of chronic double-digit unemployment, catastrophic youth unemployment twice or more as high, and widespread underemployment. Only a thorough
institutional re-configuration of the eurozone can restore healthy rates of growth. Yet the need for such far-reaching reform has never been accepted in official Brussels.

To the extent that one can speak of a European government, its locus is, however, no longer the official EU capital, but Frankfurt, the headquarters of the ECB (Financial Times 2017b, 2017c; Wall Street Journal 2017a). Its austerity policies remain in place and will not be jetisoned until German opposition to loosening monetary and fiscal policy is overcome. In the meantime, a still-fragile Europe facing re-invigorated challenges from American technology and Chinese dynamism cannot afford economic setbacks of any kind.

One nowadays rarely encounters the hoary defence often made on behalf of the EU as an optimal or essential policymaking mechanism. The very idea indeed seems ludicrous when crisis has become endemic, the institution’s very survival is at stake, and policy planning is effectively on hold. In official Brussels, tough talk barely conceals a sense of panic. Hence the deep sigh of relief – akin to hysteria – with which Euro-elites greeted Emmanuel Macron’s election as president of France.

Europhile pundits veritably leaped over one another to proclaim it a turning point in the EU’s dismal recent history. It hardly qualifies for such a distinction. The ferociously ambitious photogenic 39-year-old won the election on an historically low turnout and with the support of only a minority of the French electorate. It is wishful thinking to interpret the French vote as a ringing endorsement of the European integration project and unrealistic to imagine that Macron will have a free hand in negotiating for a stronger and more centralised EU (Financial Times 2017d, 2017e, 2017f). He lacks the backing of a real political party. It is also by no means certain that his quasi-liberal reform agenda – lengthening the work week, raising the retirement age, and reducing the size of the bureaucracy – will fare any better in the chamber of representatives than similar attempts, which failed him as adviser to the cabinet of the deeply unpopular Francois Hollande. If so, the fate of his future government, and France’s economy, may be no different from that of his predecessor (Wall Street Journal 2017b).

It would be a mistake to conclude that Macron seriously plans to open up the economy. A typical product of the elitist French educational system, he will, if given the chance, reinforce the power of the state in the economy. Nor have the differences between France and Germany on economic policy been better than papered over. More will be needed than photo-embraces and platitudinous expressions of goodwill to persuade the German voting public to assume the heavy burden of EMU
debt. Macron could in fact go the way of the EU’s previous White Knight, the dynamic and handsome former Italian Prime Minister Matteo Renzi, who, in the interests of economic reform, tried in vain to install a presidential model of government in Rome. The instability of the Italian political system, together with a stagnant economy and a financial community on the verge of bankruptcy, makes the country the prime candidate for the next existential threat to the EU. The need for a massive emergency bank bailout has long been obvious (Wall Street Journal 2017c). To provide it, the Italian state, in flagrant violation of EMU rules aimed at creating a single financial market, has stepped in with a massive injection of public money and may again be called upon to do so again. The need for such national intervention obviously makes a mockery of boasts that the euro will displace the dollar as the anchor of the international monetary system (Wall Street Journal 2017d).

There are few grounds for optimism given the present state of the EU. The refugee crisis and its ugly cousin, Islamic terrorism, are ongoing problems, which defy Europe-wide solutions. Obfuscation, secondly, has been the sole EU policy response to the festering diesel emissions scandal, which has also shred the credibility of the Parliament as people’s advocate, and that of the Commission as honest broker in trade relations. Corruption also remains rife throughout much of the European community. Brussels’ policymaking in the critical field of high-tech industry has recently shifted from one of mere harassment of American IT giants in the guise of anti-trust policy to a coordinated campaign of outright bashing – of imposing stupendous fines from which there is no judicial recourse. Hence, the more than two trillion dollars in their European earnings which, under more favourable conditions, could have been ploughed into investment, remain unspent (Gillingham 2016, 199–205). The evident anti-American bias and injustice of EU policy can, moreover, be counted upon to produce a powerful backlash in Washington as well as to drive Silicon Valley into an unsought, unwanted, and undesirable alliance with the Trump administration. It will move the USA one step closer to China and its European followers in adopting policies that rip up the seamless web of the internet and strengthen the power of the state vis-á-vis civil society.

Over the longer term, the EU’s anti-US IT campaign will reduce American financial involvement in European high technology, raise costs, and cause the EU member states to lag still further behind in a crucial growth field. Europe will therefore remain a bystander to the most consequential economic breakthrough of the era. Such long-run perils pale, however, by comparison to an immediate threat, the single currency,
which, unless abandoned, or at least re-configured, will condemn Europe to chronic low growth.

The present outbreak of Macron-mania in Europhile circles may provide a reprieve from the continent’s ailments if, and until, a powerful new individual or institution can take over effective leadership of the EU. By general agreement such a development cannot arise from within the discredited Commission, but must somehow emerge from a consensus of the 27 post-Brexit Member States (Financial Times 2017g). Finding a common denominator of policymaking will be a tall order in a now bitterly divided European community. Nor it is by any means easy to imagine – given the dysfunctional Apparat of official Brussels – how such a person or party could make its influence felt through the badly malfunctioning governance machinery. The policy of building up EU institutions finds little support outside of Germany except among Euro-elites. The sole alternative to ‘more Europe’ remains the devolution of authority to the Member States, as long-championed by Britain, which would preserve a single market or trade area, while leaving the rest of the EU policy machinery up for grabs.

A British alternative?

Two important considerations favour London’s Brexit negotiating position (Sinn 2017). Without Britain’s net contribution, first of all, the EU will be poorer; bargaining for spoils will become that much more difficult, pressure for an increase in contributions that much greater, and the likelihood of budget shortfalls that much stronger. The absence of the UK will, moreover, eliminate the blocking position which, under current EU rules, the ‘free trade faction’ shares with that of the ‘protectionist faction’, thereby opening the door either to a bolt by the former, or divisive conflict between the two. The remaining free traders will, in any case, need a British ally whether outside or inside the EU. At the same time, London’s advocacy of a reform like EFTA (European Free Trade Association) bristles with difficulties, not least of all because those countries taking an approach like Britain’s – and insisting on the supremacy of national law – may need lengthy transition periods in which to dismantle the acquis communautaire, the corpus of directives and regulations that are the ne plus ultra of EU membership. No two of these national procedures will be quite the same and their relationships of the individual states to either a reformed EU or a successor organisation may vary from case to case.
For this reason Britain’s exit negotiations must demonstrate that departure from the EU can be beneficial. One can only hope that Prime Minister May’s constructive attitude is appreciated by her EU interlocutors. The latter will in any case face heavy pressure from national business and financial communities intent upon making Brexit as mutually painless as possible. Most important of all, Britain must provide practical assurance that departure from today’s EU can bring prosperity and build national confidence because it is consistent with and can strengthen with most powerful international trends re-shaping today’s world. The auguries are by no means inauspicious. The predictions of the Brexit naysayers have, up to now, been wildly off the mark. Theresa May’s leadership may be shaken up – but no worse. Donald Trump is being gradually housebroken, and his antics may well prove to be ‘disruptive’ in the positive sense of the word as currently understood in business circles, which implies promoting innovation and growth. The world economy is, like Britain’s, on an upswing, and growing at a substantially higher rate than Europe’s – a performance gap that seems almost certain to increase (Open Europe 2017).

As a worldwide phenomenon, the influence of protectionism cannot be denied: globalisation in its many forms and guises may be thrown temporarily into reverse. As a long-term trend, however, it is unstoppable. There is at least a fighting chance that Brexit will lead to a new chapter in the opening of the world economy. If so, the power of a supranational but regional political and economic bloc like the EU can only weaken over time.