

FOREIGN AFFAIRS

Europe's Reverse Domino Effect

No One Is Following Britain Out of the EU

Pierpaolo Barbieri

March 16, 2017

Following France's 1954 humiliation at the hands of the Viet Minh at Dien Bien Phu, U.S. President Dwight D. Eisenhower divined the phrase "domino effect" to suggest that the victory of communist guerrillas would lead to a cascade of parallel events elsewhere: "You have a row of dominos set up," Eisenhower said. "You knock over the first one. ... What will happen to the last one is the certainty that it will go over very quickly." Ike's idea caught on; the "domino" concept was applied to everything from the Cuban Revolution to the Prague Spring.

Most recently, the prospect of a domino effect was a staple of discussions of the British referendum on EU membership. In this case, a first-mover (the United Kingdom) would trigger the implosion of the EU by daring to exit first. It would be swiftly followed by others eager to free themselves from the shackles of transnational regulators and their world-leading single market.

Domino distress served both sides. As the Leave campaign heated up in October 2015, British entrepreneur Jim Mellon warned that "the EU is heading for a cataclysmic implosion and Britain must get out to avoid (the) grim repercussions." It implied a chaotic unravelling. The following February, *Daily Mail* columnist Dominic Sanbrook gave it a historical spin: "If [EU leaders] fail to learn the lessons of the past, then one day, I fear, the EU will go the way of the Soviet Union—a discredited vision of utopian internationalism, unceremoniously dumped in the dustbin of history."

In the other camp, in April, European Parliament President (and now German chancellor candidate) Martin Schulz warned that Brexit could trigger "an EU implosion." This view of impending doom also crossed the Atlantic, where the conservative *National Interest* (and the CATO institute) published an article titled, "The EU will likely implode," featuring a straightforward prediction: "Once Britain's exit becomes near-certain, others will rush for the way out."

In fact, domino worries go back further than then-Prime Minister David Cameron's fateful 2013 acquiescence of backbenchers with a "in / out" referendum. Indeed, they may have contributed to it. The constant search for an implosion trigger dates to the darkest days of the continental debt crisis, when the monetary union was thought to be on the verge of collapse. Greece's exit from the Eurozone was discussed in excruciating detail, not merely in Athens but also within the German Finance Ministry. There were conspiratorial stories about the secret printing of an old-new currency, the drachma, which only worsened the crisis. Hence the "Grexit" moniker that spawned "Brexit" and now "Frexit."

Soon after that, in 2012, reports of Italians crossing the Swiss border with cash savings abounded. Deutsche Bank went as far as to advertise on Iberian soil the wonders of saving "in safe Germany," outraging the Spanish officials who worked to restore confidence in the local banking system.

After successive bailouts of Greece, Ireland, and Portugal, respected fund managers, such as Bridgewater founder Ray Dalio, and columnists, such as *Financial Times*' Wolfgang Münchau, argued the Eurozone could not handle the larger checks needed to support Spain or Italy. In November 2011, following a failed Italian bond auction, Münchau wrote, "the Eurozone has ten days at most." The following July his column decreed the crisis "would not be resolved for 20 years, if at all." Yet a Spanish bailout came and went; a new Italian government restored confidence, as did European Central Bank President Mario Draghi, who famously pledged to do "whatever it takes" to save the eurozone. "Believe me," he added, "it will be enough."

And it was. As expectations of doom eased in the continent, they escalated over the Channel. After the referendum, they permeated the upper echelons of government. That is how British International Trade Secretary Liam Fox was quoted last September predicting that the EU would "implode when Britain leaves and Germany will pick up the tab." A few weeks later, the never-circumspect *Daily Express* concluded that "Britain will have the strongest hand in Brexit negotiations as EU is 'starting to crumble'." Meanwhile, the *Daily Mail* and the *Daily Telegraph* published vindicated editorials, the latter having proclaimed the "birth of a new Britain" the morning of Brexit.

Given this background, it is unsurprising that the first call by the Donald Trump administration with EU officials allegedly began with one of his staffers asking which country "would leave next." It was no faux pas. After all, Trump forcefully backed Brexit and hired the same big data company, Cambridge Analytica, which helped the Vote Leave campaign zero in on its voters. Trump's Ambassador to the EU, Ted Malloch, has even likened the union to the Soviet Union, suggesting "there is another Union that needs a little taming." The problem with this perception of an impending European chain collapse is that it is not borne by facts. None of Europe's electoral tests since Brexit have set off a domino effect.

For instance, Spain held a general election three days after the British referendum. It led to a new term for Mariano Rajoy, leader of the center-right Partido Popular. It was Rajoy—alongside Finance Minister Luis de Guindos—who implemented the 2012 bank bailout funded by the European Stability Mechanism. Despite the depths of Spain's real estate boom and bust, the country has developed no anti-European movements. At least on Iberian soil, Europe remains

synonym of the country's transition from three decades of dictatorship to globalized modernity.
There is no viable party to argue for "Spexit."