

CAPX

Brexit can reform Europe and perhaps even save the EU

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Now that the global commentariat has begun to recover from post-Brexit shellshock, it may be possible for the frightened and confused European publics to discern a few rays of light shining in the distance. These may flicker out, but there is also a chance that they meld into a beam powerful enough to guide Europe out of the darkness.

The auguries are by no means all bad. The Tories can re-unite and shape the political agenda. In the process, incidentally, they need not be too much worried by the shambolic Labour opposition.

John Kerry, America's chief diplomat, has told the EU to "get real" and avoid recrimination. Britain, it seems, is not to be put at end of the queue after all, but, where it should be in terms of US foreign policy – at the head of it. Most EU members share a common fear of German domination and Russian resurgence. As such they will hope that Britain and the United States continue to play a role in European affairs.

The power elites in every country also agree that top priority should be given to preserving the single market. (This consensus, it should be added, extends to all parties in Scotland as well as Northern Ireland.) Only once the matter of UK's membership in the single market is settled, can the thorny, but resolvable, immigration issue be taken up and addressed. Liechtenstein, for example, enjoys full access to the single market, but is allowed some leeway in regulating the movement of people. Might that be an example for the UK to follow?

The British referendum has exposed profound public dissatisfaction across the width and breadth of the EU. Recent polls register overwhelming majorities in all member states opposed to further expansion of the Brussels institutions. Opposition to Brussels takes different forms in different places, but its common denominator is a refusal to be governed – often very poorly – by remote, irresponsible, and incompetent technocrats. Even centrist parties throughout the EU are, since Brexit, beginning to recognize just how unpopular Brussels has become.

The diehard proponents of “an ever closer union” – like the “remainders” in Britain who clamor for a second referendum – are still entrenched, though they may be gradually uprooted. Calls for the clownish Jean-Claude Juncker to step down as the EU Commission President echo through the corridors of power – and the center-right French Republican Party of the former President Nicolas Sarkozy now advocates abolishing the EU Commission altogether.

The publics in many member-states want referenda of their own. Officials in Brussels, of course, adamantly oppose all referenda. In this respect, Brussels is characteristically and fatally, inflexible. The only coherent reply from Brussels is to hang tough, hang together, and punish Britain in order to intimidate the other disaffected countries. Underpinning the endless calls for “solidarity” is the most nagging fear of all – that Britain will actually succeed and, contrary to the predictions of the EU Council President Donald Tusk, Western civilization will not collapse.

It will become increasingly difficult for the diehards to thwart Britain. The UK government has refused to be straight-jacketed into the Article 50 timetable for departing from the EU and the EU is itself deeply divided on the schedule for British withdrawal. Time works in Britain’s favor and delay will strengthen UK’s bargaining position. The EU will only get weaker.

The EU’s threat to the City, which would tear up the “single passport” that enables non-Eurozone countries to conduct business on a non-discriminatory basis with the Eurozone countries, is empty. The European financial structure is tottering. The Italian banking sector, for example, will need to look to London for financial liquidity needed to stave off bankruptcy.

Nor with its flat lining economy and chronic double digit unemployment can the EU afford to contemplate any measure that might break off mutually-beneficial trade relations with Britain. Tough talk will not, in this instance, result in tough action.

The long-standing structural problems facing the EU will persist and be aggravated by resurgent nationalisms catalyzed by Brussels’ ineptitude. The EU lacks both a reform plan and a credible “European Vision.” Its twenty eight members cannot agree on plans for the future. Is it any wonder that a shrinking number of people are willing to book first-class passage on a sinking ship?

Surely there can be a better outcome. The EU, for example, could be rescued if Britain picks up a lead that she unnecessarily dropped some 42 years ago and revive the plan to organize Europe along free trade lines. The Nordics, the Swiss, and the Portuguese once belonged to it and membership was open to others. Interest in joining such a club could grow in the future. Its appeal is obvious.

A future free trade association between European states would then eschew political aims and ambitions, and allow each member to conduct its domestic affairs (including monetary and fiscal policies) as it best sees fit. It could coexist with a remnant of the EU that maintains supranational political aspirations as well as the common currency.

It would be politically unwise as well as unnecessary for Britain even to moot an alternative design for a new Europe at this point. It is surely better to wait upon events. The continuous

muddling through of a politically floundering and economically ailing Europe will eventually move the free trade idea to the forefront of the political agenda. There need then be no sharp tug at the reins. Britain could lead with a light hand.

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