



Europe without the UK: Liberated or diminished?

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In 2016 the CER made ten predictions about the effect of Brexit on future EU policy. How do they stand up now, on the eve of the UK's departure?

In April 2016, the CER published '[Europe after Brexit: Unleashed or undone](#)', trying to predict how the EU would evolve if the UK voted to leave the Union. Since then, the EU has had to respond not only to the Brexit vote but to the election of Donald Trump as US president and an increasingly assertive China. Internally, the EU has seen the continued rise of populist, eurosceptic forces; a slow-down in the eurozone economy; and disagreements between leading member-states over the future direction of the Union. Though the next steps on Brexit and the future UK-EU relationship remain uncertain, we have learned enough over the last three years to evaluate and update the ten predictions we made in that report.

1. Even without the UK, the consensus for liberalising the internal market in goods, services and labour will endure.

The signs are that deepening of the single market will continue, with a focus on the digital market. Though integrating services markets would be a big prize, the opposition of national regulators and professional bodies is likely to prevent progress, especially without the UK's influence. France and Germany, which have not always supported liberalisation, will have proportionately more weight post-Brexit. There are indications, however, that countries that champion the single market have realised that they need to fill the gap left by the UK's departure: at the initiative of the Finnish prime minister, Juha Sipilä, 17 heads of state or government [wrote](#) to European Council president Donald Tusk setting out their priorities for deepening the single market over the next five years.

EU competition policy will probably change post-Brexit. France and Germany have [proposed](#) that it should take greater account of competition from US and Chinese corporate giants, and facilitate, rather than obstruct, the creation of pan-European champions able to compete with them. This interventionist approach has long been viewed with scepticism by the UK. The Commission and pro-liberalisation states will resist, but without the UK they will probably lose.

2. Though Brexit gives the eurozone more power to drive economic and financial policy for the EU as a whole, divisions within the eurozone make rapid integration very unlikely, at least in the near term.

This prediction is holding up, so far. French President Emmanuel Macron has been unable to persuade German Chancellor Angela Merkel to accept his ideas for eurozone reform. Germany and the so-called 'New Hanseatic League' of northern European, fiscally conservative states have opposed French proposals for a eurozone budget that is able to stabilise members' economies in a crisis, and have shifted the focus onto using any eurozone budget to promote competitiveness through investment. Pro-austerity member-states like the Netherlands are fighting against anything that might lead to fiscal transfers to countries like Italy. There is no sign of the kind of [political dialogue](#) between governments and citizens in the eurozone that might lead to popular backing for greater integration.

Non-euro area countries remain uneasy about their future status. After Brexit, the eurozone will cover more than [70 per cent](#) of EU member-states and more than 76 per cent of the EU's population, making it easier for eurozone countries to impose decisions on those outside. The UK fought successfully for mechanisms to ensure transparency of decision-making and give non-euro countries a voice; post-Brexit, those countries may find it harder to protect their interests. Poland, the largest of the 'euro-outs', is enmeshed in its own disagreements with most other member-states over the rule of law; it is poorly placed to be the spokesman for the non-euro countries.

3. Progress towards a capital markets union will continue, but its nature will change as a result of Brexit.

The EU has been attempting to piece together a capital markets union (CMU) since 2014, but progress remains slow. A successful CMU requires many national competences to be transferred to the Commission, in areas such as bankruptcy, and reporting and accounting law; that will be difficult with or without the UK.

With Europe's biggest pool of capital, the City of London, soon to be outside of the EU's regulatory purview, the EU will need to decide whether to pursue an insular CMU, or instead open up its market to London and the rest of the world. At present the EU seems to be prioritising internal regulatory autonomy over integration into global capital markets and increasing the EU's voice on the international stage. Brexit should trigger an EU rethink as to the best way forward.

4. The EU-27 may become less committed to ambitious climate change targets. The EU may adopt a more centralised system of energy market regulation.

The UK has made deeper cuts in its greenhouse gas emissions than the EU average, with a 42 per cent reduction from 1990-2017. The UK's target for 2030 is a reduction of 57 per cent from 1990 levels. The EU reductions target for 2030 is only 40 per cent. In 2018 the European Commissioner for Climate Action and Energy, Miguel Arias Cañete, reportedly [toyed](#) with increasing the target to 45 per cent, but dropped the idea in the face of opposition, particularly from Germany. Brexit is likely to tip the balance in the EU further in favour of countries that are more concerned about protecting industry and employment and less interested in rapid cuts in emissions; and there still seems to be plenty of national opposition to giving the European Commission a dominant role in energy market regulation.

5. EU foreign policy will remain inter-governmental, but may become less active on the world stage, and less likely to use sanctions as an instrument of pressure.

In his 2018 'State of the Union' speech, Commission president Jean-Claude Juncker proposed that the EU should take decisions under the Common Foreign and Security Policy (CFSP) by qualified majority (rather

than, as now, by unanimity) in responding to attacks on human rights; applying sanctions; and launching and managing civilian security and defence missions. The UK would certainly have opposed such a step, but even after Brexit some small member-states may block it for fear of being dragged into EU actions that they oppose.

The UK often pursued British foreign policy objectives through EU action (for example in the Horn of Africa), but in recent years it has been consumed by Brexit and less inclined to take foreign policy initiatives in any forum. The EU's role in resolving international crises, including the Libyan, Syrian and Yemeni conflicts, has also been limited by lack of internal agreement.

The UK remains one of the main advocates for maintaining or increasing sanctions against Russia, however. It is also the country most able to provide the evidence needed to justify imposing restrictive measures; once it is no longer at the table, the relative weight of countries like Italy and Hungary that would like to see sanctions lifted will grow; and the EU may be less eager and less able to use targeted sanctions as a CFSP tool in future.

6. There may be more enthusiasm for European defence co-operation, but less capability. The EU-NATO relationship may become more difficult.

This prediction is holding up so far. EU leaders finally launched PESCO, or permanent structured co-operation, a political framework that aims to help EU countries develop military capabilities together and improve their ability to deploy them. The Commission is testing out a new 'European defence fund', with relatively ambitious spending plans for defence research and procurement of new technology. The concept of European strategic autonomy, or the ability to act relying only on European capabilities in European-led operations, is back on the agenda, though so far without the resources to match its proponents' ambitions.

Many supporters of European defence co-operation see Brexit as more of a liberation than a loss. But the absence of Europe's biggest military power from EU discussions could lead to future problems. Without the UK's defence industrial expertise, Europeans will find it more difficult to build future defence capabilities. In the debate over strategic autonomy, Britain could have been expected to push for more competitive procurement, including from US suppliers, rather than protection of European defence firms. And the gap left by the UK's armed forces will undermine the EU's operational ambitions: France's new European Intervention Initiative, which aims to create a stronger European strategic culture, has been set up outside EU structures, partly to allow British membership.

7. The EU's ability to tackle cross-border organised crime and terrorism will be reduced.

Sadly, this judgement remains correct. Both EU and UK law enforcement efforts will inevitably suffer as a result of Brexit, even with a deal – as set out in CER's 2018 report '[Plugging in the British: Completing the circuit](#)'. The negative effects will be even worse if the UK leaves without a deal.

In the event of no deal, the UK will not be able to issue European Arrest Warrants after Brexit day; and the EU-27 will not be able to use them to seek extraditions from the UK. Warrants issued before Brexit will be not accepted unless the person has already been arrested: others will need to be replaced. Easy enough, if one knows the legal basis for the new warrants; but the EU has decided to leave it to member-states to decide, according to national laws. Some will use the [cumbersome 1957 Council of Europe convention](#) on extradition. In other member-states there may be a gap while national parliaments pass the necessary legislation (although most have now reluctantly adopted contingency laws).

If there is no deal, data and intelligence sharing in Europe will become more difficult too: the EU will disconnect Britain from its law enforcement databases at the moment of Brexit. Data provided by Britain will stay in those databases if the UK government so decides. But, because Britain will not be able to update such data, more sensitive information like alerts in the Schengen Information System will immediately be deleted – so they do not lead to arrests or investigations based on outdated or incorrect data. Britain will be shut out of other vital databases like Passenger Name Records (PNR). Without a deal, the UK will leave Europol and will not be able to participate in Joint Investigation Teams with other EU member-states until it has a new, third-country agreement.

8. The European Commission and Parliament will be less likely to reflect British ways of thinking and working.

The new European Parliament will be more politically fragmented and less likely to back freer trade with third countries and market liberalisation internally, not as a result of Brexit but because of the evolution of politics in the EU. The departure of British MEPs from the European Parliament will, however, reinforce this trend. Conservative and Labour MEPs often worked hand in hand to support economically liberal policies. Populist parties, more supportive of protectionist policies, are expected to do well in the May European Parliament elections. Such parties are also likely to benefit disproportionately from the redistribution of 27 of the UK's current seats among the remaining member-states. France and Spain will gain five each, and Italy three; and opinion polls suggest that eurosceptic parties could come out on top in the European Parliament elections in France and Italy.

Brexit could also affect how individual EU institutions function. The British way of working and administration has increased their operational efficiency. The Commission, Parliament and the European External Action Service have all indicated that after Brexit they want to retain British nationals who have permanent contracts, and will evaluate the situation of officials with temporary contracts on a case-by-case basis. But they are unlikely to hire more Britons in future unless they have specific skills that EU nationals do not. The vestiges of the UK's positive influence on the EU's work culture will therefore slowly fade away.

9. Brexit will embolden Eurosceptic movements across Europe.

Brexit has not been the expected boon for eurosceptic parties. Populists have done well in elections in Austria, Italy and Sweden since the UK referendum, but the EU's negotiations with the UK have shown that leaving the Union is painful. Many populists have amended their narratives; they no longer advocate their country's departure from the EU, but focus on criticising individual EU policies that touch on people's sense of identity, particularly in relation to migration.

The UK's protracted internal struggle to work out how to leave the EU without massive economic and security damage has made leaving the EU politically unattractive in other member-states. Populists are likely to do well in the European Parliamentary elections in May 2019, but they will not do so by appealing to the spirit of Brexit. They will, however, be driven by some of the same political currents that led to Brexit, including hostility to globalisation and a tendency on the part of mainstream national politicians to blame the EU when things go badly and ignore its contribution when things go well.

10. By increasing the preponderant influence of Germany, Brexit could heighten insecurities in countries with suspicions of Berlin.

This prediction has not been borne out so far. Under Merkel's cautious leadership, Germany continues to

punch below its weight – a prisoner of [‘small nation’](#) thinking. There is speculation, however, that Merkel may want to move from the German Chancellery to succeed Donald Tusk as President of the European Council; that might increase the uneasiness of smaller states, especially in Central Europe, about the shift in the balance of power in the EU towards the largest member-states.

In the defence and security field, Brexit may even worsen the problem identified by former Polish foreign minister Radosław Sikorski, who [said](#) in 2011 that he feared German power less than he feared German inactivity. In January 2019, Germany and France signed the Aachen treaty, committing themselves among other things to increased defence co-operation. But it seems clear that Germany will not meet NATO’s target of spending two per cent of GDP on defence by 2024.

The EU also needs Germany to relax its insistence that the answer to every economic problem is more austerity. An increase in German consumption would help the rest of the EU to grow, but there is no sign of it happening. The UK’s departure will not make much difference to the economic policy debate in the eurozone.

Conclusion

In sum, most of the 2016 predictions still look reasonably sound in 2019. Brexit may in theory have liberated the EU to do more in areas like defence policy where the UK traditionally obstructed progress; but it has also forced some member-states that would hitherto have hidden behind the UK to be more vocal about their own concerns and more assertive in pushing their own priorities. The Netherlands in particular is striving to fill the void created by Brexit and lead the coalition of economically liberal, pro-austerity member-states.

The big mistake in our predictions: Brexit did not lead to a wave of copy-cat anti-EU movements across Europe. On the contrary, it has been a salutary warning to others. That may be its only benefit.

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