

Brexit: a new beginning for the EU or the beginning of the end?

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Despite all the evidence presented by a range of respected figures and institutions, and the paucity of the arguments on the Brexit side, which failed to set out the alternative to EU membership, the emotional appeal for 'independence' has won. This is a bad day for Europe. The Remain campaign has not connected with enough voters, with the perceived need to limit migration, the wish to make decisions independent of the EU and a vote against 'the establishment' all seemingly playing a role.

What next?

What follows is a high degree of uncertainty. The UK has to notify the EU of the intention to leave, which kicks off a divorce negotiation that will probably last around two years unless the remaining countries of the EU decide unanimously to extend the period of negotiation. It is unclear who will lead the negotiations on the UK side, with Prime Minister Cameron unlikely to have a political future.

Uncertainty – the most likely outcome of a Brexit after two years – will have a cost. Stock markets and the Sterling will take a battering; indeed, the effects could already be felt during the night. This uncertainty is going to be aggravated by political turmoil, with divisions deepening within the two main parties. While the political future of UKIP might be uncertain now that it has achieved its main purpose, the Eurosceptics in Conservative and Labour are likely to be strengthened.

The country appears deeply divided, between different population groups and geographically, with London, Northern Ireland and Scotland voting strongly to remain in. At the very least, this raises the spectre of Scottish independence again, with the political future of the continuation of the UK now in doubt.

In the longer term, the economic effect of Brexit will depend on the nature of the divorce deal. If the UK can remain in the Single Market, cherry picking those elements that suit best, politically and economically, the economic effect would be limited.

A tough EU stance?

Such access to the Single Market is, however, unlikely. It would serve as an example for others, potentially triggering a domino effect with other countries considering leaving or demanding exemptions from certain provisions. It would be hard to explain what the purpose of being in the club is, if countries can leave and still benefit. So the choice is likely to be between access to the Single Market, conforming to all the rules, or to be truly outside. The latter seems more likely, as otherwise there would be the question on the purpose of Brexit in the first place. This will have consequences, including a lower propensity for companies to invest in the UK and limitations on UK citizens living in the rest of the EU.

The EU will also need to decide on how to react to potential moves towards independence in Scotland. If Scotland decides to become independent rather than leave the EU, would the door be opened for quick membership, even by those countries that have their own secession movements?

Turmoil within the EU

The direct impact on the EU will also be uncertainty and turmoil. Not only is the EU weakened globally, there are many practical but difficult issues to resolve: what will happen to the EU budget? What role is there for the UK in the EU during the negotiation period? How far is the UK able to influence the EU agenda in the interim, including, for example, with respect to the negotiations with the US on the Transatlantic Trade and Investment Partnership (TTIP)? One immediate effect is that the Brexit negotiations will clog up the EU's agenda for the coming months and years, making it less likely that the EU is able to tackle the reforms needed to deal with the challenges and crises we are facing at the moment.

This will be aggravated by populist pressures on mainstream parties. Populists everywhere – especially right-wing nationalistic ones – will try to exploit Brexit by arguing that their countries should follow suit. While this is unlikely to be ultimately successful if the UK has a difficult divorce, it will further fuel Eurosceptic and anti-establishment tendencies.

A long-term vision for the EU?

Does a Brexit make the EU more cohesive, able to conduct a real debate about the future, now that the UK brake is finally gone? Unfortunately, it seems unlikely at this stage. This would require a step change in leadership. The EU's leadership in the institutions and the member states will declare that they accept the result but that they are ready to defend the EU, that Brexit does not mean the 'end' of the EU. On the contrary, they will state that we need take a lesson from the Brexit result and make more progress within the EU, which could mean more coordination/cooperation in some areas and maybe some 're-nationalisation' in others. But the actions will, in the end, be disappointing if the old logic of kicking the can down the road prevails. In this case, we shouldn't expect much given the low readiness to reform and the already existing divisions within and between member states. The differences which are there, including within the Eurozone, are not caused by the UK, and will thus not be resolved by Brexit.

So while the EU is unlikely to fall apart because of Brexit, it will also not herald a new beginning for the European integration process. The EU can prevent a domino effect if 'out' truly means 'out' with all the negative consequences that it entails – but it is also not likely to produce a new momentum for EU reform.

However, unless a new momentum can be found, over time, the EU will continue to lose ground, becoming more and more marginalised with regard to the big challenges Europe faces. So no, there will not be a rapid unravelling of the EU, but there is a real danger of the Union being hollowed out and of a slow drift toward irrelevance unless a new direction can be found, without the UK on board.

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