

## **A FRESH START FOR THE EUROPEAN UNION AFTER BREXIT**

Stefano Micossi

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I AM STILL TRYING TO PROCESS the shock of the UK referendum, which has dealt a historical blow to the European Union and has alerted us to the danger of the wave of anti-establishment and anti-elite sentiments shaking up developed nations, bringing about disastrous decisions that cannot be easily reversed. These movements are present in many European countries; we cannot underestimate the dangers of tumbling down the slippery slope of nationalism, which could put the very survival of the Union into question. A response from the EU, or from a smaller circle of its founding or main members, is necessary – as long as we can identify meaningful goals.

We need to decide, first of all, what position to take vis-à-vis the United Kingdom. In my opinion, the problem is very complicated for them and far less so for the European Union. The UK needs to decide nothing less than it wants to retain access to the European Internal Market. Supporters of the Leave Campaign perhaps do not understand very well that this is wholesome package, and that portions of it cannot be negotiated à la carte. The four freedoms of circulation—goods, services, capital, and people—form the cornerstone of the Treaty on the Functioning of the European Union (TFEU), and they cannot be separated from one another. In particular, it is not possible to have the first three without the fourth. On this, there will not be and cannot be any negotiation between the Union and the United Kingdom (assuming it remains united after the referendum’s unfortunate results).

Closing the UK’s borders to immigrant workers from other EU countries was the war cry of the pro-Brexit campaign. Pulling back from this demand, for the British, will not be easy. However, it may also turn out to be inevitable because the economic costs of losing access to the Internal Market would be devastating, first of all for the City of London, which would lose its role as the port of entry for the world capital into the European Union. Here, lies the

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paradox: the United Kingdom will very likely continue to follow European regulations, including decisions by the European Court of Justice (ECJ), but it will no longer have a say in their making. As far as reclaiming their destinies go—quite a result!

Choosing a negotiating strategy will be more complicated. The United Kingdom will likely delay invocation of Article 50 in order to find a way to merge negotiations on the process of withdrawal with a redefinition of their relationship with the Union. The Union does not have any reason to merge the two issues. Article 50 only requires (emphasis added):

In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, *taking account* of the framework for its future relationship with the Union.

Since it is not legally necessary, connecting the two issues would not be a sound negotiating tactic for the EU, as it only benefits the UK. Neither does the Union have anything to gain by allowing negotiations on its future relationship with the United Kingdom to start prior to receiving official notification of Britain's intent to withdraw and, more importantly, before understanding the mandate with which the British parliament is asking its government to begin withdrawal procedures.

Now, some brief thoughts on relaunching the Union. What I would avoid is envisioning an ambitious reform of the Treaties, which is not in the cards at this time. Instead, I would build upon what is already being done on various fronts—the economy, immigration, and security—as well as reestablishing, where necessary, the authority of European institutions over member states who refuse to implement common decisions, as for example regarding immigration.

This means, first of all, reopening negotiations on Banking Union and completing it with the European Deposit Insurance Scheme (EDIS) and a common backstop for the Single Resolution Fund (SRF). Negotiations are gridlocked because of an inability to find common ground between Germany's demands—to reduce risky assets on the balance sheets of banks in the “periphery” (Italy, above all)—and calls for greater sharing of risk from peripheral member states in the South. Since risk-sharing inevitably implies elements of fiscal union, it brings with it the prospect of creating an entity akin to a “European Minister of Finance,” endowed with discretionary powers to intervene and enforce the economic policy guidelines decided by the European Council. This entity should be accountable not only to the Council but also the European Parliament, finding in them a source of democratic legitimacy.

On immigration, we need to restore the integrity of the Schengen Area and the credibility of joint decisions on the management of migratory flows. We also need concrete implementation of the Italian proposal for a Migration Compact, which requires significant investment in the development of countries with whom we must collaborate in order to stem the influx of migrants into Europe. On security, I would start with the proposal already prepared for the next European Council—the creation of a common border force to patrol the Union's external frontiers.

The icing on the cake would be a decisive initiative to spur economic growth and increase employment, especially for the area's youth, as the heads of state of Germany, France, and Italy advocated in their joint declaration after their meeting in Berlin on 27 June 2016.

In summary, instead of dreaming of unrealistic leaps forward, which will likely not happen, we need to think about tangible and reachable goals, even if they are not easy, which would show the world that the Union will not only survive, it will grow stronger. If matters are handled well and clearly explained to the public opinion, we can start to reconnect with our disgruntled societies and show that there are worthy stakes for them in the European construction.