

The multiple meanings of EU exit and their implications for the future of Europe

A significant change has taken place in the EU state of affairs in the aftermath of the global financial crisis, which morphed into a debt crisis in the Eurozone. What was thus far unthinkable became a possibility. The exit of a member state from the Union came to be contemplated, speculated and acted upon.

The exit of Greece from the Eurozone has been discussed and speculated upon at regular intervals since 2010 and the start of the so-called debt crisis, even though it is a legal impossibility according to the Treaty of the European Union (TEU). The exit of Britain from the EU, which will take place in the next two years, has taken the ruling European elites by surprise. It is the first formal exit of a member state from the Union. Ramblings of other exits can also be heard from various quarters and various countries, such as Nexit and Czexit, with regard to the Netherlands and the Czech Republic respectively. Thus exiting the EU has become both an idea gaining ground and a reality soon to be put into effect. This represents a turning point in the history of the EU, which rests on the premise of an 'ever closer Union'. The present conjuncture – which may indeed prove to a 'critical caesure' defining future developments in Europe – presents both risks and opportunities. Dealing with the risks and taking advantage of the opportunities will be crucial for the left forces in Europe. If anything, the Greek experience has taught us that one can never be prepared enough for what is powerful and unrelenting, such as the ruling forces in the present-day EU.

In this paper we shall explore the following areas:

- The evolution of the EU from the goal of an 'ever closer Union' to BREXIT (section 1)
- The case of GREXIT and the way this has affected the crisis; its use as a weapon by the country's creditors; the choices the SYRIZA-led government was faced with in 2015; the current state-of-affairs in Greece (section 2)
- The dynamics of exit, which may give rise to certain critical scenarios - i.e., the risks the left has to guard against and the chances it may have to take (section 3).

1. From an 'ever closer Union' to BREXIT

In the first half of the 20th century, Europe was rummaged by two world wars, embroiling almost all the nation states of the time. Not surprisingly, at the end of each war, the idea of somehow uniting Europe surfaced both in political discussions and in the European consciousness¹.

Granted, such ideas were mainly concerned with the need to promote economic goals, whereby a Europe without borders and customs was propagated as a means of promoting economic development. However, although the primary concerns of these discussions were economic, one cannot dismiss the search for a common feeling of togetherness, which needed to be restored. As Louise Weiss, a French Jewish feminist, wrote in her "Memoires d'une Europeenne" (1969), "we were still true Europeans" in the pre-war years².

¹ The idea of a European federal union was first brought up at the 1929 Assembly of the League of Nations

² Quoted by de Wagt, Wim, 2016, 'When we were true Europeans', *Social Europe*, Oct 11

The spirit of European consciousness is currently embodied in Article 1 of the Treaty of the EU, which states that “This treaty marks a new stage in the process of creating an ever closer union among the peoples of Europe, in which decisions are taken as openly as possible and as closely as possible to the citizen”, while Article 3 states that “The Union’s aim is to promote peace, its values and the well-being of its peoples”. The eventuality of a member state withdrawing from the Union was never seriously considered, much less that of excluding a member state.

In particular, no provision in the treaties or law of the EU outlined the ability of a state to voluntarily withdraw from the Union. This was changed by the Treaty of Lisbon, which amended the Treaty of the EU, inserting the new Article 50 into it, whereby it is stated that “Any member state may decide to withdraw from the Union in accordance with its own constitutional requirements”. Furthermore, Article 50 lays down a procedure for the negotiation of transitional arrangements and it envisages an agreement with regard to the future relationship between the EU and the departing member state, a procedure known as ‘negotiated withdrawal’.

While the TEU contemplates the voluntary withdrawal of a member state, there is no provision for expelling a member state outright. The closest the Treaty comes to penalizing a member state relates to the case of a breach of the EU’s founding values as outlined in Article 2 – i.e., respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights. The conditions for identifying such a breach are especially stringent, as laid out in Article 7 of the Treaty.

In fact, the notion of an EU exit was until recently so unheard of that the Legal Counsel of the ECB concluded that, ‘... a recently enacted exit clause (*MF: Art. 50*) is prima facie not in harmony with the rationale of the European unification project and is otherwise problematic from a legal perspective; a member state’s exit from EMU, without a parallel withdrawal from the EU would be legally inconceivable; while perhaps feasible through indirect means, a member state’s expulsion from the EU or EMU, would be legally next to impossible’³³.

Contrary to the prevailing spirit in the Treaties and in the minds of political actors, as well as of most Europeans until a few years ago, the agreement to be reached with Britain, following the ‘Leave’ result of the June 2016 referendum, is the first of its kind. It is a formal exemption from the goal of an ‘ever closer union’ and a political statement of great purport for the future of the EU. The solidity of the Union has been challenged, as political, economic and social pressures are mounting across its member states, hitting different countries with varying intensity over the past few years.

The BREXIT vote, with its nuanced undertones, ranging from a hankering for the British Empire to the rejection of an institution that seems irrelevant to ordinary people’s lives has opened Pandora’s Box. Europhobic sentiments are reinforced and Euroscepticism, already on the rise, is expanding. For example, in the Netherlands, the popular press has raised the question of a referendum about the future of Dutch membership of the EU, while the Czech Prime Minister has stated that a possible withdrawal of the Czech Republic needs to be discussed; Nexit and Czexit have already entered the public debate. In the left also, the prospect of leaving the Union – Lexit – has its supporters. This is a position that tends to

³³ Athanassiou, Ph., 2009, ‘Withdrawal and Expulsion from the EU and EMU – Some reflections’, *Legal Working Papers*, No. 10, ECB, Dec

underestimate the leverage that can be applied on the European institutions from within, while overestimating the possibilities for action outside it.

2. Speculating on GREXIT

Although the expulsion of a member state from the EU is not provided for in the Treaties, the possibility of Greece being 'kicked out' of the Eurozone by its partners has been speculated upon since the beginning of the Eurozone crisis. This speculation has indeed deepened the crisis both in Greece and in the Eurozone, as it has given rise to a great deal of uncertainty, which is translated into a high cost of borrowing for a government in the financial markets and a reduced demand and investment in the economy.

It is worth noting that GREXIT was never employed by the Greek side as a threat to destabilize the Eurozone. This is quite remarkable as there was ground for the use of a such a threat in combination with a demand for debt relief in the wake of Greece's debt crisis, in 2009/2010. The fact that it was not employed is indicative of the close links between the Greek political establishment and the European one, since such a demand would benefit Greece at the expense of private investors, mostly large European banks. The opportunity for such a demand was lost by 2012 and Draghi's statement that the ECB would do 'whatever it takes' to preserve the stability of the European financial system. Draghi's dictum was indeed a precursor of the quantitative easing programme of the ECB, which has flushed the European financial system with liquidity since the beginning of 2015.

While the threat of GREXIT was never used by the Greek side, it was explicitly employed by the country's creditors, viz. its Eurozone partners under the leadership of Germany. Such a threat underpinned a propaganda, which was enthusiastically undertaken by the popular press in Germany and in other countries, blaming the Greeks at large for the ills of their economy. Thus what is presumed to be a community of solidarity according to the founding principles of the EU turned into a 'community of fate' the members of which are bound together by shared risks⁴. In the case of Greece, its Eurozone partners provided financial assistance conditional on harsh austerity, deregulation and privatization, thus exacerbating rather than resolving the situation. While Greece depends on such assistance in order not to go bankrupt, its creditors keep providing it in order to avoid the risk of a default by a Eurozone member state, which would present a challenge to the irrevocability of the euro. The crisis in Greece led to the rise of the left, culminating in SYRIZA's winning the January 2015 elections and forming a coalition government with the small centre-right party ANEL (Independent Greeks).

The SYRIZA-led government was politically trapped from the start, as it had to negotiate the closure of the 2012 programme by the end of February 2015. At the same time, the public coffers and the economy were in a bad shape. SYRIZA's efforts to negotiate a pact with Greece's creditors that would be mutually beneficial were in vain. Its Eurozone partners displayed naked political power, aided by the ECB's asphyxiation of the economy. During this process the threat of GREXIT was famously made by the German Finance Minister, Wolfgang Schäuble.

⁴ Leruth, B. & C. Lord, 2016, 'Differentiated integration in the EU', *Journal of European Public Policy*, 22:6

At that point, SYRIZA took the historic decision to sign a new agreement with the country's creditors, also conditional on the measures associated with the previous two bailout agreements and to call for new elections in September 2015. The party suffered a split, as many leading members formed a new party on a platform of default and exit from the euro. The outcome of the September 2015 elections gave a clear win to SYRIZA, which again formed a coalition government with ANEL. The party formed by those who had left SYRIZA did not pass the 3% threshold to enter parliament. One year later, does the decision made by the SYRIZA leadership appear justified? What has been achieved during this time that bears a distinguishing left mark?

SYRIZA has never accepted ownership of the bailout programme, which is a major source of irritation for the creditors. The political significance of this position is that SYRIZA has pursued a number of objectives over and above the programme. These include the following:

- Revealing and dealing with the intricate web of relations between the political system, the media and the banks. This triangle of relations is at the basis of the clientelistic state, of tax evasion and of corruption. SYRIZA's policy has been (a) to force these interrelations into the open, through public hearings by a parliamentary committee, which are televised; (b) to oblige TV station owners to bid for a license to operate; such licenses, which should have been in existence more than twenty years ago (!), were conveniently overlooked by all previous governments; (c) to pass through parliament a law obliging the banks to publish on their site their expenditure on advertising and the loans granted to media owners;
- Abolishing the majoritarian electoral rule replacing it with the proportional representation one, a long-held demand of the left in Greece;
- Dealing with the humanitarian crisis, which has taken unprecedented proportions for a European country at a time of peace;
- Officially recognizing the right of the LGBT community to establish marital relationships on the basis of a civil union agreement;
- Stabilizing the country's banking system, which has suffered a significant flight of deposits and a great increase in non-performing loans since 2012;
- Dealing with the refugee crisis, which has acquired gigantic proportions. In 2015, 856,723 arrivals were registered, by comparison to 43,500 in 2014. This influx of people tested the limits of the state apparatus and of public finances. Greek society however managed to cope and to extend a helping hand to the migrants and refugees literally being washed out on the shores of many Greek islands in the Aegean Sea.
- Furthermore, while implementing the fiscal consolidation terms of the Agreement, SYRIZA is putting its own mark on the policy mix adopted. For example, in the 2017 Budget, the emphasis has shifted from cutting public spending to raising taxes, from indirect taxation, which is regressive, to direct taxation, from horizontal tax increases to increases that bear more heavily on the wealthier segments of society.
- At the same time, a roadmap for the restructuring of the public debt has been agreed. Although this is work-in-progress, it provides a policy handle in the ongoing discussions on debt relief⁵.

⁵ Eurogroup Statement on Greece, 25/05/2016

- On the European front, SYRIZA has taken the lead in forming an alliance with the other S.European countries. The First Mediterranean EU Countries summit took place in Athens in September 2016. The Athens Declaration takes a common position on BREXIT, on the refugee crisis, on youth unemployment, on growth and investment, on security and on relations with the Mediterranean and African countries.

Overall, SYRIZA is persevering in a very unequal political battle. The Greek economy needs to be shored up and Greek society to be given back its sense of decency. Success is in no way guaranteed. But it is certainly worth trying for.

3. The multiple meanings and dynamics of EU exit – The role of the left

Do the two cases of EU exit, actual and speculative, discussed in the previous sections constitute critical junctures –‘critical caesuras’- in the evolution of the EU? If so, with what implications? What is the role of the left in these circumstances? In order to provide some answers to these questions, we shall look into and compare BREXIT and GREXIT – the modalities involved and the issues raised.

Starting with BREXIT, according to Art. 50 TEU the process starts with the submission of the application to withdraw by the departing state. A space of two years is then allowed, during which the Union negotiates and concludes an agreement with that state, setting out the arrangements for its withdrawal, taking account of framework for its future relationship with the Union. The final UE-EU agreement will be concluded by the European Council acting by a qualified majority. It must also have the consent of the European Parliament and, under certain circumstances, be ratified by the national parliaments of the 27 member states⁶. It is generally believed that EU leaders wish to complete the negotiation process before the European Parliament elections in the summer of 2019 and the appointment of a new European Commission. The issues raised by the negotiated withdrawal of a member state are numerous and complex.

On the domestic front, the result of the British referendum was followed by a government crisis and the emergence of a more anti-EU conservative administration. Further, political debate shifted to the right and far right, influencing government actions. As the economy comes under increased pressure due to the uncertainty created by BREXIT, the effects will be felt by society at large, adding to the general upheaval.

On the European level, the withdrawal of the UK will disrupt the Union’s internal equilibrium, as the share of non-eurozone countries in EU GDP will drop from 30% to 15%, strengthening the political and economic supremacy of Germany. The Eurozone member states of S.Europe will also be affected, as they come under intensified scrutiny by the financial markets. In addition, populist insurgents of the right will be inspired by BREXIT and try to shape political debate.

Overall, BREXIT opens the way to a long process of negotiation, the outcome of which is at best uncertain and at worst damaging especially for Britain, as it will need to disentangle itself from 40 years of economic and regulatory integration with the EU.

⁶ This is the case where the UK-EU agreement cuts across policy areas within the preserve of member states.

What appears to be complex and uncertain in the case of BREXIT would in all probability be simply chaotic in the case of GREXIT. Assuming a euro-exit were legally possible under the EU treaties, the issues raised are many and especially intricate. Capital Economics, a London based think-tank, which in 2012 won the Wolfson Prize for the best proposal to 'safely dismantle the Eurozone' concluded that a country contemplating leaving the euro would have to keep its plans secret until the last minute, introduce capital controls, start printing a new currency only after formal exit, seek a large depreciation, default on its debts, recapitalize bust banks and seek close co-operation with remaining Eurozone members. This is a long list of requirements, which suggests that introducing a new currency is complex when it is done in a planned way. If it is done suddenly and under duress, it is a hugely disruptive process with many unintended consequences that cannot all be anticipated both on the domestic and on the European level.

So, if BREXIT is a long and complex process, while GREXIT is an intricate, if not chaotic one, what is the position of the left? Should it be for or against EU exit? What alternative route would it propose? In what way should it intervene in the political debate?

Both BREXIT as a reality and GREXIT as an eventuality constitute turning points in the history of the EU. Membership of the Union is rejected in the first case and threatened in the second one. Business as usual is no longer possible. A new era has begun.

Since the inception of the EU in its various forms, the left has argued against the EU's three main deficits, viz. the democratic, social and ecological ones, which cannot be overcome without peace and solidarity as the overarching principles. At each juncture in the history of the Union, not a peace project in itself, the left has tried to intervene, making proposals for an alternative way of functioning of the European institutions so as to serve better the public interest. As the power of finance increased, the left fought against its antinomies and the neoliberal policies that went with it. The crisis has acted as a catalyst in terms of political developments. Although many on the left could see it coming, the left as a whole was slow in responding in terms of organizing its forces and effectively intervening in the political process. The left's structural weaknesses and its lack of political intermediation limited its role as a political actor.

The rise of SYRIZA in Greece was an exception, aided by the depth of the crisis, the evidently failed policies of the Troika and of the established political parties, the coming together of various factions within the Greek left. The European left rallied around SYRIZA providing valuable support. However, when SYRIZA was elected to government and after a 6-month long period of negotiations, as a result of which SYRIZA agreed with many of the demands of the country's creditors, choosing not to let Greece go bankrupt, the left both in Greece and in the EU was divided. Should the SYRIZA government have taken Greece out of the euro and thereby default on its obligations? The mandate of the January 2015 elections was NOT for default, while SYRIZA asked for a new mandate from the Greek electorate in the September 2015 elections, which it was granted. The hypothetical question however remains. Only history will show whether the route followed by SYRIZA was the right one.

Lexit, propagating exit from the EU by the left, came up in the 2016 British referendum. The argument of Lexiters is that the current treaties and structures of the EU need to be dismantled and replaced by others within the framework of a new union, on the basis of a radical reconsideration of the foundations of the current EU and the practices that structure it. This is a laudable ambition and political objective. What is lacking however is the

roadmap leading to the desired goal. In view of the internal weaknesses of the left and its lack of political intermediation it is hard to see how these goals can be achieved. Neither does the historical experience of the 20th century provide many useful lessons. Overall, the left finds itself in a difficult position. Its role is needed more than ever before in the post-WWII period. However, its internal divisions limit its impact on developments. This state of limbo must be overcome for the left to be able to put forward and work towards a 'critical scenario' that will put an end to the crisis in favour of society at large. In this respect, the SYRIZA experience is of value.

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