

Kumiko Haba
Martin Holland *Editors*

Brexit and After

Perspectives on European Crises and
Reconstruction from Asia and Europe

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and Reconstruction from Asia and Europe

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Introduction

BREXIT (a portmanteau of Britain and Exit from the EU) came about as a result of the June 23, 2016 referendum. The result, to leave, sent shockwaves around the world. It would go on to paralyze the parliamentary process for some three and a half years as well as manifest itself among the UK electorate as the label “Leavers” and “Remainers” was still very much on display during the 2019 general election. In 2020, the COVID-19 pandemic has hit the UK particularly hard. Official figures point to over 40 thousand deaths (the third highest total after the US and Brazil as of June 13, 2020). Even Prime Minister Boris Johnson became infected and was unable to carry out his official duties. No one could have imagined such a dramatic combination of events in 2016.

One year after the Brexit referendum, the annual EUSA AP (European Union Studies Association Asia Pacific) Conference was held in Tokyo. It brought together an international gathering of EU researchers. Of course, the hot topic at that time was Brexit. Presentations covering Britain’s withdrawal from the EU from various perspectives such as politics, economics and law were made over the course of the 2 days. In the wake of the conference, many of the participants asked about the possibility of outing together a number of the papers as an edited volume. This became possible after the suggestion was approved by the ExCom. meeting of the EUSAJ (EU Society of Japan). As a result, with the help and support of numerous individuals, not least Prof. Martin Holland, and Prof. Sang Chul Park, and the contributing authors, *Brexit and After* was realized and finally published in 2020.

As is well known, just 5 months after the Brexit referendum, Donald Trump became the 45th President of the United States. It was during the referendum and presidential election campaigns that talk of populism became more widespread. Terms such as “Post Truth” and “anti-elite/anti-establishment” became commonplace. Furthermore, existential fears about the robustness of “liberal democracy” and the sustainability of the European Union and European values were regularly being exchanged in the media. However, despite its own difficulties the EU has and is, in various guises and to various degrees, a point of reference for regional integration projects and initiatives around the world—albeit with a greater emphasis on economic rather than political integration.

In Asia, the first two decades of the twenty-first century have been dominated by economic development and a greater emphasis on Asian Regional cooperation. While not exactly a blueprint of the EU story—that includes the “reconciliation of former enemies,” and the notion of “multi-ethnic co-existence,” have been a point of inspiration for many in this part of the globe. Such ideas have fed into practices such as ASEAN Good Governance, economic cooperation among Japan-China-Korea, South Asian Regional Cooperation (SAARC), the economic restructuring of Regional Comprehensive Economic Partnership (RCEP) and the Trans-Pacific Partnership Agreement (TTP) (reconstituted as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership following America’s withdrawal).

In Asia, given that disputes and conflicts still remain and the ideological cleavage between socialism and capitalism cannot be ignored, some have placed greater emphasis on the pursuit of economic interconnectedness a la EU. As a result of that, China has developed what it calls the Belt and Road Initiative (BRI) that draws from the experiences of the EU, almost quarter of the countries in the globe have wished to become part of this initiative. In addition, we can also point to the multilateral Asian Infrastructure Investment Bank (AIIB). Headquartered in Beijing, and with a wide-ranging global membership it describes itself as having “a mission to improve social and economic outcomes in Asia.” Elsewhere in Asia, many have speculated that the EU model which sought democracy, freedom and reconciliation, peace and prosperity could provide lessons for future relations between Japan and South Korea.

Yet in the past decade that model has been faced with its own existential crisis—personified by Britain’s withdrawal from the EU, alongside a wave of nationalism and populism increasing its electoral presence across numerous member states; not only Italy and Greece, but also France, Germany, the Netherlands, and Hungary. In such an environment Euro-skepticism has become an established element of the party-system and national debate—albeit to varying degrees.

Economically the EU has also faced serious economic disruption. Although the EU became the world’s largest economic zone surpassing the United States, due to the deepening and widening as a result of the 2004 and 2007 enlargements, the economically developed countries of the EU failed to adequately help Southern and Eastern Europe members amid the Lehman Shock and the Euro Crisis. As a result, it is perhaps not surprising that dissatisfaction rose sharply in the member states most adversely affected.

After the end of the Cold War, with the aim of “Return to Europe,” 11 countries in Central and Eastern Europe joined the EU after going through a political, legal, and economic accession process. Despite all of the positives and hopes, accession also had its costs not least in the economic sphere that eventually provided fertile ground for populism and skepticism to emerge.

It was Russia that noticed this situation. Putin funded European populists including UKIP and Le Pen, and supported the growth of populism from the outside. Russia was deeply dissatisfied with being separated from the world by expelling from the G8 after Ukrainian Maidan Revolution in 2014, Russia’s

occupation of the Crimea, its transfer to Russia, and promoted the division of the EU.

In contrast, China accelerated its BRI strategy to the West, avoiding conflicts between the United States and China, expanding their influence toward the West in partnership with Russia and Central Asia. In partnership with Britain, Germany, and France, China promoted infrastructure support, capital investment, expansion of IT companies, and cyber cooperation to Asia, Central Asia, Africa, and Europe. It also proceeded with a grand 100-year infrastructure development plan.

All of this contributed to divisions within the EU as the economic superpowers like Germany, the UK, and France focused on and emphasized the role of the international political economy with the “EU as a global power” and failed to pay attention to those member states suffering from the sovereign debt crisis, or those facing economic inequality after joining the EU. As a result, attitudes in the smaller member states became more skeptical toward the European project.

In the meantime, the UK finally left the political institutions of the EU at the end of January 2020, after three-and-a-half-years of domestic political turmoil. Almost immediately after that event, the region was hit by the COVID-19 pandemic. Having first taken hold in Italy, it subsequently spread across the region where it struck Spain, Belgium, and the UK particularly hard. Its presence has brought back memories of the post-WWI Spanish flu pandemic that had a devastating impact on life around the globe. The world has now been shaken by this disease for the past 6 months. Not surprisingly having to deal with COVID-19, which has mercilessly inflicted enormous social and economic costs on developed European countries, has diverted attention away from the Brexit negotiations. Those negotiations are continuing though without perhaps the media spotlight that they might have had. The UK remains scheduled to finish the transition period, with or without a deal, on December 31, 2020.

This book, which brings together authors from across the world, including Europe, Asia, and the USA is intended to consider the meaning of Brexit: its impact on the EU, the UK, Asia, and the wider world 4 years after the June 2016 referendum.

Many of the contributors believe that the EU-27 can recover from the loss of the UK, but that recovery will not be easy and will take time. As part of that process, the EU must overcome public dissatisfaction, Euro-skepticism, domestic and ethnic disparities, and rebuild solidarity across the member states. Together these can give a renewed sense of momentum to the integration process. As part of that process, the EU’s present and future relationship with Asia will be crucial. Building relationships with Asia will also be crucial for the UK as it seeks to secure free trade deals across the globe. Maintaining the idea of a “global Europe” after Brexit, therefore, is not simply about the EU and China’s relationship, it is also about whether the EU is able to ensure stable multilateral relationships between the EU and Asia as a whole.

In light of the above, this book consists of three parts.

Part I. Post Brexit: Politico-Economic Changes in the EU and the Global World

Part II. Post Brexit and European Integration

Part III. Brexit and After: Influence on other Countries: Oceania, China and India
 A very brief synopsis of each chapter follows:

I, Post Brexit, in the EU and the Global World consists of five papers.

I-1. Martin Holland, Brexit in the Time of Coronavirus is clearly analyzing the following things. First, the UK and the EC/EU historical relationship after becoming an EC member over 47 years, Euro-skepticism in the UK, and the role of the EU-27 after Brexit. In addition, in the latter half of the chapter, the analysis of the interests in the EU in the Asian media (Japan, China, Indonesia) is particularly revealing.

I-2. Kumiko Haba, Post-Brexit and Post-Corona: The UK, the EU, and Central East Europe : ‘Illiberal Democracy’ and the Influence of China analyzes a number of key issues: the historic role of the UK in Central East Europe; EU-skepticism after the enlargement of the EU; “Illiberal Democracy,” which is predicated on a desire “not to leave the EU, but rather seek to reform it from within”; and the expansion of Chinese role in the EU. The chapter stresses that Regional cooperation between Asia and the EU leads the world after Brexit.

I-3. Sang-Chul Park, Asian Regional Cooperation is analyzing Asian Regionalism symbolized through detailed insights of the RCEP and the CPTPP. Especially after the global financial crisis, Asia transformed from trade protectionism to the FTA as a result of bilateral and multilateral relations. As the “third power” against the US and Europe Asia economic cooperation has been attracting attention. RCEP and CPTPP members are considering the future development of FTAAP.

I-4. Hitomi Kimura, Recovery of the Sovereignty and Regional Integration in EU and Asia After Brexit is analyzing the relationship between sovereignty and regional integration, which is the most important issue for the UK. Brexit was a choice about national sovereignty and democracy or the continuation of economic integration. On the other hand, in Asia, ASEAN and APEC have embraced economic integration based on retaining national sovereignty.

I-5. Binoy Kampmark and Petar Kurečić, Brexit and Trump: Genuine Anti-Globalization Revolution or the Repetition of 1848 is analyzing that Brexit was chosen as a result of increasing inequality, national anti-globalization, and nationalism. “Post Truth” urges a social transformation, arguing that it will be a national revolution like the European 1848 revolution.

II. Post Brexit and European Integration analyzes economic, political, or structural domestic relationships within the EU. This section also has five papers.

II-1. Bruno Dallago and Steven Rosefielde are researching the **Post-Brexit European Integration** process. The paper is analyzing whether the impact of Brexit would be less disruptive than expected on the EU as a result of the EU’s capacity to constructively fill institutional composition gaps. This reduces the system’s vulnerability to asymmetric shocks.

II-2. Stephen Day’s ‘Brexit Fissures’: Party Politics and Territorial Politics Post-2017 reveals how Brexit-induced cracks have accompanied the process of actualizing the referendum result. In so doing, he focuses on two main areas. First, the disruption that accompanied party politics during the 36 months prior to the

Conservative Party's general election victory in December 2019. Second, he shows how Brexit has amplified demands for a second independence referendum in Scotland and a "border poll" in Northern Ireland.

II-3. Sarah Harrison, Hopes and Fears in Pre-and Post-Brexit Britain shows the complexity of the referendum by analyzing a series of quantitative and qualitative data. The chapter reveals unprecedented polarization and division within the electorate. She concludes that the conflicts, isolation, and sense of uncertainty exist not only in the UK, but also in the US and across Europe. The impact of COVID-19 increases those feelings of conflict, isolation, and uncertainty.

II-4. Koji Fukuda, European Governance After the Brexit, and the COVID-19 Shocks seeks a new phase of EU solidarity and integration from the following three points. The first is neo-liberal globalization and European integration under the context of Brexit and Corona, the second concerns the validity of the trickle-down hypothesis, and the third is the differentiation of various EU frameworks. Analysis of these three indicates the direction of governance reform.

II-5. Miguel Angel Vecino's Brexit: Reasons and Domestic Consequences argues that the complexity of Brexit will prove to be an existential challenge for the EC/EU bigger than anything since the 1950s. The chapter focuses on 3 factors: (1) Britons never felt "European" in the way that citizens of other continental EU member states did. (2) the UK had a historical problem with Ulster and Scotland. (3) English, Northern Irish, and Scottish voters saw the EU differently. Brexit emerged as a result of such different realities.

III. Brexit and After: Influence on other Countries: Oceania, China, and India have four papers.

III-1. Serena Kelly, Franzisca Doser, and Natalia Chaban, Shifting Frames: Images of Brexit in NZ and Possible Consequences offers an interesting take on Brexit by analyzing changes in the "emotional" framing to it. This is done by applying political psychology and communication theory, to how Brexit was understood in NZ, one of the UK's closest allies.

III-2. Judy Yo-Ming Wu, The Dynamics of China's Trade Ties After a Brexit Announcement, UK and EU argues that Brexit will definitely cast a shadow on the trade relations between China and Britain. Although China has not yet decided which is better, between the EU or the UK, the EU's single market offers distinct advantages especially in light of the Brexit's uncertainty for the UK and negative impact of COVID-19 on the global economy.

III-3. Pradeep S. Chauhan, BREXIT and India: Challenges and Opportunities shows how Indian companies' plans to invest in the UK have been seriously affected by Brexit. Major investors like TATA are already looking for alternatives. On the other hand, the UK has identified India as a key partner post-Brexit. How India maintains good economic relations between the EU and the UK is likely to be related to the fate of the UK economy.

III-4. Yongshu Li, The Influence of Brexit on the UK's Arms Trade Policy and Arms Embargo on China analyzes the impact of Brexit on the arms trade between the UK and China. The EU continued to embargo China after Tiananmen, but the UK resumed arms trade with China after 1998, in a departure from the rest

of the EU. After Brexit, the UK could significantly boost arms trade with China. The paper gives an analysis of the change of arms trade between the UK and China.

Lastly, we are grateful for the assistance and encouragement of many people who have encouraged us to undertake this project during the past few years.

We would like to thank all the participants, who attended EUSA AP's Tokyo, Taipei, and Shanghai Conferences. The opportunity to meet and share ideas from different insights and perspectives is a very precious commodity. Hopefully, the spirit of those gatherings has been carried over into this book. As the editors, we have certainly learned a great deal from all of the papers and would like to thank the authors for their contributions.

If this book, *Brexit and After* achieves any measure of informational success, it is all owed to these excellent professors. Let us hope it will not be too long before we are all able to meet in person at the next EUSA-AP gathering.

We are incredibly grateful to Springer—particularly Mr. Yutaka Hirachi and Mr. Chandra Asekaran Arjunan for agreeing to publish this book and bearing with us over the past year. The book was initially scheduled for publication in 2019, but because of the delay to Brexit (which was meant to take place on March 29, 2019) as a result of the ongoing confrontation between the UK parliament and the government we asked Springer if it was possible to defer for a while. Immediately after that, COVID-19 outbreak and spread in Europe, the US, and all over the world. We would like to express our sincere gratitude to the Springer Publisher for understanding these situations and waiting patiently for us to deliver the manuscript.

Finally, please allow us to say thanks to Dr. Du Shishin (Postdoc fellow) and Nicholas Crenshaw (MA), both of whom dedicated a great deal of time and energy, especially in the final stages, to get the manuscript ready for delivery. The fact that *Brexit and After* could be organized in the midst of the COVID-19 crisis is due to their hard work. We sincerely appreciate both of their endeavors. We would also like to express our gratitude to Prof. Stephen Day, who gave much appreciated assistance prior to submission. His comments were very valuable for our book.

Having gathered together a multidisciplinary group of researchers, whose backgrounds encompass politics, economics, and sociology we hope that this book will provide a series of stimulating insights and useful information for readers. As the EU and the UK move into a post-Brexit world and look to forge deeper relationships with Asia, we believe *Brexit and After* is a timely contribution to this debate.

Kumiko Haba
EUSA AP President of Tokyo Conference in 2017

Martin Holland
General Secretary of EUSA AP
EUSA AP President of NZ Conference in 2021

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Part I
Post Brexit: Politico-Economic Changes
in the EU and the Global World

Chapter 1

Brexit in the Time of Coronavirus



Martin Holland

Abstract The departure of the UK from the EU has been a kaleidoscope of surprises—the initial shock of the 2016 referendum, two unexpected elections, the revolving door at 10 Downing Street and the succession of missed promised deadlines from 29 March 2019 until the final severance of British EU membership on 31 January 2020. Informed commentators were united in their expectation that the negotiations between the UK and the EU on the shape of the new bilateral relationship would inevitably dominate public, media and political agendas for much of 2020. Yet, barely 1 month after the UK’s departure, this seeming certainty was fundamentally compromised by the Covid-19 pandemic. Indeed, it may prove to be the case that for the EU, somethings are currently more important and enduring—both politically and economically—than Brexit.

This chapter eschews a detailed account of the Brexit campaign that emerged at the 2014 European Parliament elections and culminated in the 23 June 2016 referendum outcome, preferring a longer historical context as a partial explanation for Brexit. This historical perspective is juxtaposed with a contemporary focus even if at the time of writing the June 2020 extension deadline decision remained pending—making predictions on the negotiation process somewhat precarious. Additionally, consideration is given to the consequences of the UK’s departure for the EU27’s credibility, reputation and capacity in a global context. Finally, the chapter presents unique data on the transformation in media reporting on the EU in Asia. From an extended period after 2016 when the vast majority of Asia’s EU news was devoted to Brexit, in March 2020, the pandemic issue emerged as more newsworthy and of greater salience and has impacted on perceptions and expectations of the EU. Brexit was no longer the headline story.

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1 A History of Ambivalence

Unanticipated surprises are something of a motif for the UK's relationship with the European integration process as a review of the past 70 years lays bare. A history of reluctance, antagonism and scepticism has (with one exception) typically characterised relations under the nine UK Prime Ministers—irrespective of party—that have held office since 1973. Indeed, the UK holds the rare distinction to have been the only state to be rejected twice for membership (1963 and 1967), to have held two referendums after joining (1975 and 2016) and as of 2020, the first country to activate Article 50 of the Lisbon Treaty to formally end membership. The 2016 referendum result should not have come as such a surprise to anyone with an understanding of this troubled history.

Albeit two or more generations ago, the UK's initial scepticism towards post-war Franco-German reconciliation signalled general British disbelief in the European integration process. Had the UK accepted the invitation to participate in the founding meetings including that in Messina in 1955, the trajectory of European integration would undoubtedly have been different and a Brexit mentality less likely to emerge. A missed leadership opportunity and arguably the greatest post-war mistaken policy choice by Britain.

With the benefit of hindsight, it appears that General de Gaulle was perceptive as well as prescient in his reasoning behind vetoing the UK's applications for membership in the 1960s. His critique at that time that the UK lacked a real vocation and commitment to European integration other than for commercial reasons has subsequently proved accurate. This antagonism notwithstanding, Conservative Prime Minister Edward Heath successfully secured British membership in 1973, if with the dubious claim to have been given the 'full-hearted consent' of the British public by winning the 1970 UK General Election. This Europhoria was not fully shared by his successor, Labour Prime Minister Harold Wilson, who—after renegotiating the terms on British membership, became the first UK politician to use a referendum. A degree of national amnesia seems to have affected the memory of the subsequent two-thirds majority in favour of these new terms of membership.

The decade of Margaret Thatcher as UK's Conservative Party Prime Minister still casts the longest shadow pertaining to Brexit some 30 years on. Demands for a UK financial contribution rebate and her Bruges speech serve as appropriate bookends for the fractious 1980s decade, notwithstanding the success normally associates with Britain's support for the completion of the '1992' Single Market project. Under her successor, John Major, the British Government did finally force through the parliamentary ratification of the Maastricht Treaty, if at the cost of a fundamental rupture within the Conservative Party that sowed the seeds for Brexit a quarter century later.

The one real exception to this Eurosceptic narrative was articulated by Labour Party Prime Minister Tony Blair who remains the only contemporary British politician to have endorsed, in principle, British membership of the Eurozone and adoption of the common currency (once his five economic tests were achieved—which

they never were). With Blair's replacement by Gordon Brown, a coherent pro-European Union agenda became less evident, and in 2010, David Cameron became the country's next Conservative Party Prime Minister, albeit of a coalition government. Perhaps ironically, the results in Britain of the 2014 European Parliament election elevated support for the UK Independence Party (UKIP) to previously unknown heights. Based on a turn-out of 35.4%, UKIP topped the poll with 26.6% of the vote and relegated the Conservatives into third place, an outcome that provoked Cameron to follow his ill-fated referendum strategy.

Despite conducting what was, in hindsight, a modest but successful renegotiation of Britain's terms of membership (related to immigration and the political commitment to 'an ever closer union') as well as campaigning for a 'Yes' vote in the referendum, the 'No' victory effectively undermined the 43-year legacy of his Conservative predecessor Edward Heath and led to Cameron's own resignation. As the subsequent, 4 years repeatedly illustrated, Brexit, however, was far from done. Theresa May became the fifth Conservative Prime Minister since the UK first joined, called an election in which she lost her majority, belatedly triggered Article 50 and after 15 months of fraught negotiations signed a 585-page withdrawal agreement with the EU: in July 2018 a White Paper on *'The Future Relationship between the United Kingdom and the European Union'* was finally introduced. The tone was, however, strident, announcing:

... ending the days of sending vast sums of money to the EU every year. We will take back control of our money, laws, and borders, and begin a new exciting chapter in our nation's history.¹

Despite this jingoism, the parliamentary legislation needed to ratify this agreement was defeated on four occasions provoking European Council President Donald Tusk to utter his memorably frank comment about that 'special place in hell' for 'those who promoted Brexit without even a sketch of a plan of how to carry it out safely'.² The original Brexit deadline of 29 March 2019 was missed culminating in May's eventual resignation and ultimate replacement by Boris Johnson by the summer of 2019.

Johnson too negotiated a (remarkably similar) Withdrawal Agreement with the EU but faced with a similar road-block to May, missed the new 31 October departure deadline. The deadlock was only resolved after Johnson was able to engineer a snap-election and subsequently secure a landslide majority at the December 2019 General Election with the promise to 'get Brexit Done'. Legally leaving—as the UK did on 31st January 2020—has far from ended Brexit, however.

By the end of February 2020, Commission President von der Leyen announced optimistically that the EU mandate stood 'ready to build a close, ambitious partnership with the UK'.³ Negotiations on this new relationship commenced in early

¹<https://www.gov.uk/government/publications/the-future-relationship-between-the-united-kingdom-and-the-european-union/the-future-relationship-between-the-united-kingdom-and-the-european-union-html-version>.

²<https://www.bbc.com/news/uk-politics-47143135>.

³@vonderleyen#newbeginnings.

March 2020 with fortnightly chief negotiators meetings structured around the work of 10 working groups. Perhaps in a sign of goodwill, it was agreed the working language would be just English; however, pessimism had surfaced by the end of the first round of negotiations (held face-to-face in Brussels and then conducted virtually consequential to the pandemic). As reflected in the conclusion offered by the EU's chief negotiator, Michael Barnier:

To be completely frank with you ... there are many divergences and they are very serious divergences' ... such as competition rules, fisheries and future oversight of the UK-EU relationship.⁴

The end of June 2020 was set as the deadline for deciding whether to extend the negotiation period beyond the end of the year—something that legally required both the UK and the EU to endorse. The UK, however, consistently and repeatedly asserted that it would not request any such extension, opting not to use the legitimate excuse of the pandemic to force a delay. A tweet from the UK's chief negotiator, David Frost, made this clear as late as mid-April 2020: Extending would simply prolong negotiations, create even more uncertainty, leave us liable to pay more to the EU in future and keep us bound by evolving EU laws at a time when we need to control our own affairs. In short, it is not in the UK's interest to extend.⁵

The British assessment of progress after the third round of negotiations concluded (by video-link) in mid-May 2020 were no more encouraging: again, according to David Frost,

we made very little progress towards agreement of the most significant outstanding issues between us... The major obstacle ... is the EU's insistence on including a set of novel and unbalanced proposals on the so-called 'level playing field'...

It is hard to understand why the EU insists on an ideological approach which makes it more difficult to reach a mutually beneficial agreement.⁶

If this position prevails, at the end of the transition period, only the barest bones of a new framework for relations will be in place beyond the minimum WTO provisions that apply to trade between all countries and perhaps possible temporary sectoral arrangements. And worryingly, whatever emerges will also have to go through the normal ratification processes including a European Parliament Strasbourg plenary session (scheduled for November 2020). As Barnier noted, the EU would not agree with a deal 'at any price' fore-warning that there would be 'complex, demanding negotiations'.⁷

The only thing that seemed certain was that as of 1 January 2021 the current transition conditions would cease to apply and the UK could claim to have regained its pre-1973 sovereignty. For the EU, at this point, the UK would assume the legal status of a normal third country.

⁴<https://euobserver.com/brexit/147645>.

⁵<https://www.bbc.com/news/uk-politics-52313042>.

⁶https://twitter.com/DavidGHFrost?ref_src=twsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwgr%5Eauthor.

⁷<https://www.bbc.com/news/uk-politics-51623444>.

2 The EU27 in today's Global Context

Parallel to the vagaries of the Brexit negotiation process, simultaneously the EU27 have sought to reassert their identity, deepen solidarity and reassure the world that Brexit would not reduce the EU's international capability.

Contrary to some media speculation, the EU27 remains of fundamental importance within the current context of global disruption—whether created by Trump, Putin, Xi Jinping or Covid19. With the departure of the UK the collective international weight of the EU has clearly changed. The EU27 population was reduced to 434 million and the EU budget expected to fall by around 15%. And only France now reflected EU common interests on the UN Security Council as a permanent member. Yet the EU still accounts for around 20% of global GDP, represents over 15% of global two-way trade, ranks first for FDI and is by far the world's leading ODA contributor. France, Germany and Italy occupy three seats of the G7 as well as G20, which also grants a seat to the EU. On balance, the predictions of a shrinking EU in the wake of Brexit have largely been found wanting and EU solidarity has remained remarkably high since the 23 June 2016 UK referendum—future expansion in membership rather than other countries leaving the EU seems more likely. In the most recently released Standard Eurobarometer, 70% of the surveyed Europeans valued being citizens of the EU.⁸ In addition, EU citizens showed more trust in the EU than in their national government: 43% of the surveyed respondents trusted the EU, while the figure for national governments and parliaments was just 34%.

From a contemporary strategic perspective, the EU refined and refocused its international role with the publication of the 2016 *European Union Global Strategy* (EUGS). This 50-page consensus-based document was developed over the 2015/16 period and consequently, the UK was involved in its formulation. The timing for release of the EUGS was noteworthy although potentially unhelpful, occurring just 4 days after the Brexit referendum result! Remarkably perhaps, the EUGS appeared largely unaltered by Brexit, other than a modified preamble from the then High Representative Frederica Mogherini:

In challenging times, a strong Union is one that thinks strategically, shares a vision and acts together. This is even more true after the British referendum.⁹

The EUGS sets out the EU's self-perception of its international role—the term 'global' refers to both the all-of-the-world focus and to the comprehensive and conscious linking of different policy sectors to increase the EU's impact. Initiated under the former High Representative Mogherini and continued subsequently by High Representative Josep Borrell, the EUGS underlines the EU's desire and intention to play an important international role in every forum. Brexit seems not to have diminished this ambition even if the capabilities that the EU can now call on may have inevitably changed.

This change in the EU's image—from 28 to now 27 member states—by chance coincided with EU's normal quinquennial change in its leadership. By the end of

⁸Standard Eurobarometer (2019).

⁹EU Global Strategy (2016).

2019, leadership position replacements had taken place in all five EU institutions—the Presidents of the Council, the European Parliament, the Commission, the European Central Bank and the foreign policy High Representative. For the first time since 1973, there was no UK member of the Commission, and in part to dispel any lowering of expectations around the EU’s global role, the incoming President Ursula von der Leyen created the EU’s first so-called ‘Geo-political’ Commission to underline this new post-Brexit EU agenda.

3 Media Reporting of the EU

The findings from a series of international studies conducted since 2015 have consistently shown that the international news media have enjoyed a diet of Euroscepticism and subsequent Brexit in its framing of the European Union.¹⁰ Historically, this media Brexit preoccupation has been especially marked within the Asia–Pacific region. Consequently, the news coverage of the post-Brexit transition negotiations that commenced in the first quarter of 2020 was expected to continue to dominate the reporting of EU news. This trajectory came to an abrupt halt and the media’s attention in the Asia–Pacific jettisoned their previous obsession with Brexit and overwhelmingly refocused their analysis of the EU around Covid-19 rather than Brexit.

The accompanying data presented here comes from a Jean Monnet Network grant commenced in 2020¹¹ and is focused on how the media reports the EU in three countries—China, Japan and Indonesia. These have consistently and historically been the Asian countries where the EU has been reported the most and serve as a good indicator of EU news framing. The data represents all EU news stories reported in March 2020 in 10 monitored newspapers (three each in China and Indonesia, four in Japan). This short snapshot was chosen to coincide with the first round of the Brexit transition negotiations and where media interest would be presumed to be high.

Comparable traditional press was chosen: for Japan, this was *Yomiuri Shimbun*, *Asahi Shimbun*, *Nihon Keizai Shimbun*, *the Japan Times*; for China *People’s Daily*, *Economic Daily*, *China Daily*; and for Indonesia *Kompas*, *Bisnis Indonesia*, *The Jakarta Post*. In the three Chinese newspapers, there were a total of 171 EU-related news stories, roughly two news items a day (a level similar to previous studies over the last decade). For Japan, the total was 239, again replicating the usual pattern historically found of around three news stories a day (see Fig. 1). In contrast, Indonesia seemed considerably less interested in EU news and recorded just a total of 61 news

¹⁰Holland and Chaban (2018, 2015).

¹¹Renewal versus Global Disruption–Asia’s Expectations of the EU (EXPECT): Jean Monnet Project No. 611168-EPP-1–2019-1-NZ-EPPJMO-NETWORK.

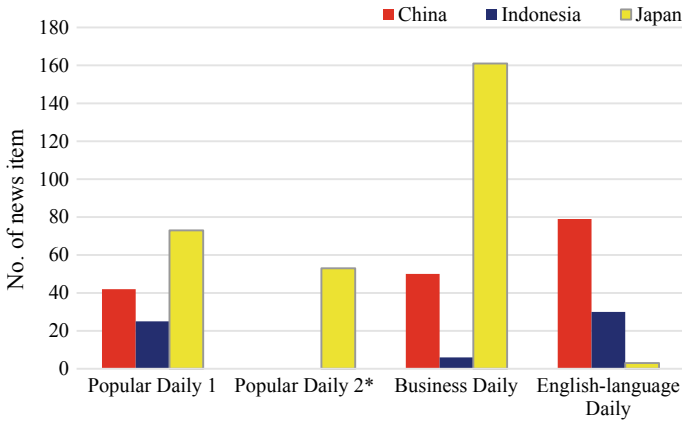


Fig. 1 EU news in three Asian countries in March 2020

Table 1 Total EU news and covered topics in March 2020 for 10 monitored newspapers in China, Japan, Indonesia

	China	Indonesia	Japan
Total EU news stories	171	61	239
Most frequent stories	Covid-19		
Second	Refugee crisis	Bilateral trade issues	Post-Brexit negotiation
Third	Post-Brexit negotiation	Refugee crisis	Refugee crisis
Fourth	EU new climate bill	Data protection	EU new climate bill
Fifth	Enlargement	–	Data protection

items, averaging at less than one story per publication per day for the month of March.¹²

As noted above, the first round of post-Brexit negotiations proper commenced in the first week of March 2020 and intensified media interest was anticipated to reflect this next stage in the process. Table 1 shows that the media across all three countries prioritized the emergence of Covid-19 in Europe in their EU reporting and although the level of overall EU news coverage remained familiar, the focus of the reporting on EU news underwent a remarkable transformation. Over half of these EU news reports related to the pandemic, except in the Indonesia popular daily *Kompas* (but Brexit was not a focus of attention in *Kompas* either).

The reporting of Covid-19 peaked in the third week (15th–21st) of March, the period when the outbreak of Covid-19 began to receive serious acknowledgement

¹²Data used in all the Tables are from the EXPECT research project’s as yet unpublished findings.

Table 2 EU-related news reporting on Covid-19 in Asian four popular dailies

Month of March:	1–7	8–15	16–21	22–31
People’s daily	1	6	11	7
Yomiuri Shimbun	6	16	20	9
Asahi Shimbun	2	5	16	4
Kompas	0	2	1	3

in Europe, especially in Italy. There was a commensurate decline in the coverage of Brexit (see Tables 2 and 3 and Figs. 2 and 3).

Examples of these trends were most clearly evident in both Japanese mainstream dailies. Historically, Japanese media has been more interested in reporting Brexit

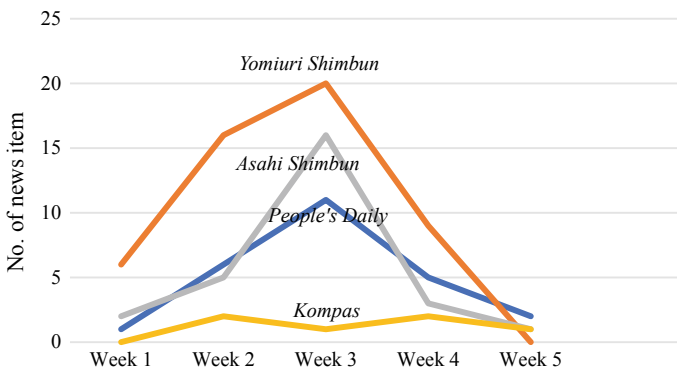


Fig. 2 EU-related news reporting on Covid-19 in Asian popular dailies

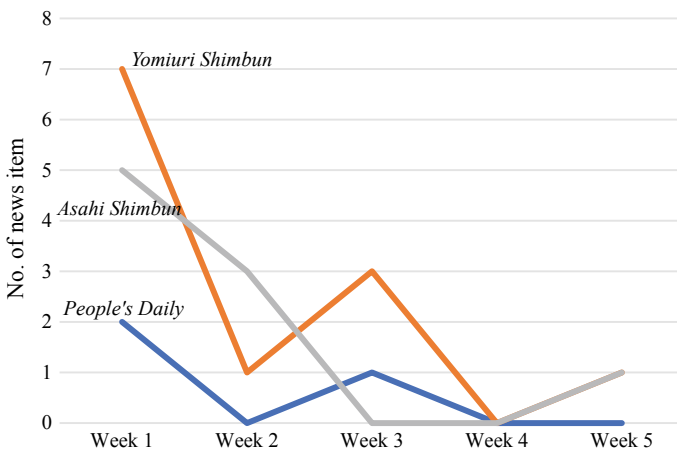


Fig. 3 EU-related news that mentioned Brexit in Japanese and Chinese popular dailies

than its Asian counterparts. It was still the case in the data of March 2020, yet, a shift of interest was obvious. Of the total of 73 and 53 EU stories reported during March 2020 in the *Yomiuri Shimbun* and *Asahi Shimbun* respectively, Covid-19-related EU news accounted for 70% (51) and 51% (27) of these stories. The comparable figures in China during the same period saw 60% (25 out of 42) of EU news published in *The People's Daily* focused on EU-Covid-19 stories. Indeed, if March is divided at the midpoint, for every publication between two-thirds and 80% of their Covid-19 EU news was published in the last 2 weeks on the month.

The dramatic change in direction for the Chinese and Japanese media emerges in early March (Table 3). In both countries, EU-related stories on Brexit peaked in the first week of March (coinciding with the first round of negotiations in Brussels) before falling off dramatically to low single figures or even no Brexit stories for the remainder of the month. Overall, such Brexit news accounted for just three stories in *The People's Daily* (representing a mere 7% of the EU-related news that month) 12 (16%) in the *Yomiuri Shimbun* and 9 (17%) in the *Asahi Shimbun*. While all three news articles in *The People's Daily* focused on the lack of agreement between the EU and the UK in the post-Brexit negotiation, only 3 out of the 12 pieces of news which mentioned Brexit in *Yomiuri Shimbun* shared such interest. The other news items merely mentioned Brexit on the sideline as a trivial backdrop. Similarly, only a single news item in *Asahi Shimbun* had Brexit as the focus, the rest mentioned Brexit in one or even just half a sentence. Finally, even given that the Indonesian media's general interest in the EU was close to non-existent, there was just a single Brexit-related story published that month.

The outlying exception to this was the business-oriented daily *Nihon Keizai Shimbun* in Japan and the English-language daily *China Daily* in China. In March 2020, 41 (out of 161) news articles from *Nihon Keizai Shimbun* as well as nine articles (out of 79) from *China Daily* mentioned Brexit. While these two newspapers showed a clear interest in Brexit compared with their counterparts, *Nihon Keizai Shimbun* and *China Daily* still only devoted 6% and 8% of their EU-related coverage on Brexit, respectively, in March 2020, while 43% and 53% of their EU-related coverage, respectively, focused on Covid-19. In general, Brexit and its related trade issues, contrary to expectation, seemed to no longer cast such a dominant shadow over the Asian media's framing of the EU.

Table 3 EU-related news that mentioned Brexit in selected Asian popular dailies

Month of March:	1–7	8–15	16–21	22–31
People's daily	2	0	1	0
Yomiuri Shimbun	7	1	3	1
Asahi Shimbun	5	3	0	1
Kompas	0	0	0	1
Nihon Keizai Shimbun	17	12	5	7

4 The EU in Social Media

Arguably Brexit was a social media phenomenon *par excellence*, used by both the Leave and Remain campaigns in 2016 and subsequently by a broad range of activists who contributed to the subsequent 43 months of political debate in the UK. After January 2020, the role of social media became an important element within the transitional negotiations process as understood within the Asia–Pacific region. Mirroring the traditional media structure outlined above, the level of EU news as well as the proportions devoted to post-Brexit issues and Covid-19 EU-related news during March 2020 is examined as used by six official social media platforms encompassing Twitter, Facebook and Weibo (see Table 4). As shown in Fig. 4, there was quite a wide variation in the use of social media platforms; the Ministries of Foreign Affairs in Indonesia and China were active users, whereas the equivalent ministry in Japan almost never engaged in this form of digital diplomacy. Conversely of the three EU delegations, the one based in Tokyo was by far the most frequent user (on Twitter). Overall, China was the leading location for this type of public diplomacy.

Table 4 Social media platforms monitored in China, Indonesia and Japan

China	Indonesia	Japan
Weibo account of EU delegation to China EU in China	Facebook account of EU delegation to Indonesia EU in Indonesia	Twitter account of EU delegation to Japan EU in Japan
Weibo account of Europe desk China ministry of foreign affairs 中欧信使	Twitter account of delegation Europe III of Indonesia MFA Direktorat eropa 3 kemlu RI	Twitter account of Mission of Japan to the EU Japan mission EU

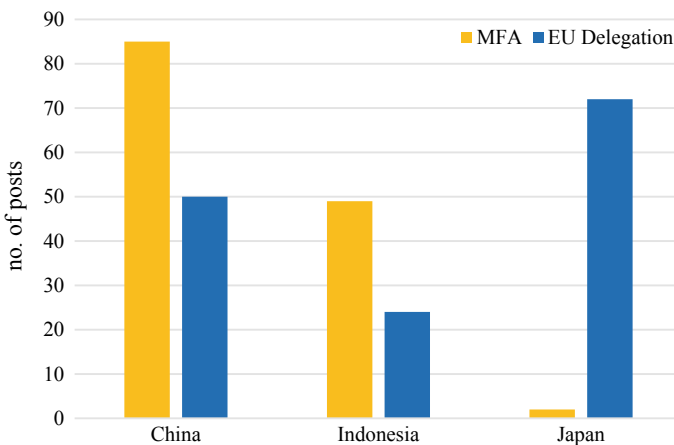


Fig. 4 Level of Social Media activity of the monitored account in three Asian countries, March 2020

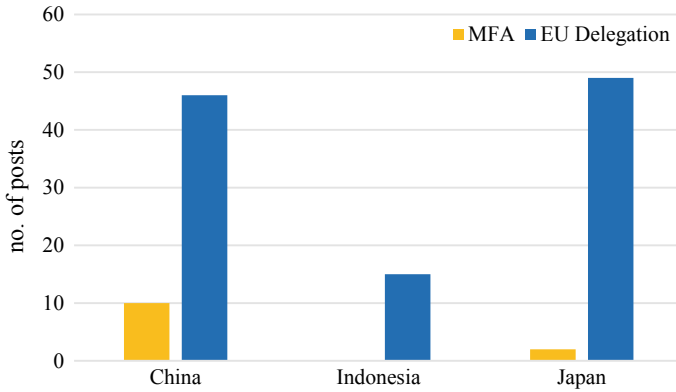


Fig. 5 Number of posts in monitored social media accounts that mentioned the EU, March 2020

Although the social media accounts run by Delegation for European affairs of China Ministry of Foreign Affairs and Indonesia Ministry of Foreign Affairs were active in posting in March 2020, their posts seldom featured the EU (Fig. 5). The social media accounts that were run by the EU delegations in third countries were the ones responsible for contributing to online appearance of the Union.

What was striking was that of the 12 social media posts about the EU made by the MFAs in China and Japan, not one concerned Brexit! Among the 110 posts which featured the EU from the accounts of the three EU delegations, none mentioned Brexit either. Contrary to the absence of interest in Brexit, Covid-19 was not unsurprisingly drawing increasing attention in March 2020, and as Table 5 illustrates, only China’s MFA released posts on the topic of the EU and the pandemic (accounting for 10 of their 85 posts in March). The EU’s own Delegations certainly became more vocal as the month progressed. Around half of all posts made by each of the three regional EUDs in March profiled this topic (26 by the Tokyo EUD, 27 in Beijing and 9 in Jakarta).

Table 5 Public diplomacy social media posts on the EU and Covid-19, March 2020

Month of March:	1–7	8–14	15–21	22–31
MFA China	0	2	6	2
MFA Indonesia	0	0	0	0
MFA Japan	0	0	0	0
EUD China	1	0	12	14
EUD Indonesia	0	0	3	6
EUD Japan	2	5	6	13

These data—both for the traditional and social media—pose questions for the strategy of the EU’s public diplomacy post-Brexit and during the pandemic. Counter-intuitively, the traditional media seemed to be the more receptive vehicle for profiling the EU, even if the focus shifted dramatically from Brexit dominating the conversation to one where the visibility of the EU was subsumed within the Covid-19 framework. It was almost as if a Brexit vaccine had been found eradicating it from the public’s attention in Asia.

5 Economics Beyond Brexit

As other chapters in this collection discuss, the projections of the trade and economic consequences of Brexit for the EU are numerous, varied and frequently pessimistic. These analyses will remain at best speculative in the medium term and of course fundamentally affected by the terms agreed during the 2020 transition period. The possible contours of the EU27’s future economic and trade identity can be traced partially through the EU negotiating mandate and the points of disagreement alluded to already in this chapter.

The EU has argued for an overarching agreement, covering all aspects of future relations: foreign policy, security cooperation, fish, trade, services, research, development and more. All disputes would be referred to a single arbitration panel and the European Court of Justice would have the final word on any aspects touching EU law. For the EU27, any final ‘agreement should uphold common high standards, and corresponding high standards over time with Union standards as a reference point’. Specifically, this would apply ‘in the areas of state aid, competition, state-owned enterprises, social and employment standards, environmental standards, climate change, relevant tax matters and other regulatory measures and practices in these areas’.¹³ Conversely, the UK’s ambition was significantly different¹⁴ and was to secure a ‘comprehensive’ free trade (CFTA) (similar to the EU-Canada FTA) with extra agreements (such as for fishing) negotiated separately and governed by separate dispute resolution mechanisms. Importantly, as we have noted above, the UK rejects the “level-playing field” concerns of the EU over maintaining similar standards for environmental, labour and state aid regulations.

As the 2020 negotiations passed the midpoint, the litany of perceived issues remained unresolved. In addition to the lack of a common consensus on the broad “level playing field”/state aid conditions, sectoral challenges were extensive covering services, security and data sharing, fishing, the application of a ‘reference point’ and even—potentially—the re-litigation of the Gibraltar issue. All that seemed certain

¹³Council Decision (EU, Euratom) 2020/266 of 25 February 2020 authorising the opening of negotiations with the United Kingdom of Great Britain and Northern Ireland for a new partnership agreement ST/5870/2020/INIT.

¹⁴The Future Relationship with the EU. The UK’s Approach to Negotiations, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/868874/The_Future_Relationship_with_the_EU.pdf.

was—whatever the outcome—a new trading regime would be established, the EU’s Single Market freedoms protected, and parameters of EU-UK trade changed. And yet, while Brexit was predicted to be the greatest single economic challenge to face the EU this decade, the pandemic has no longer made this the case. While in 2021, the EU27 will remain the world’s biggest trader of goods and services and second largest economy, the economic impact of Covid-19 is expected to be significant and greater than Brexit. The European Commission’s May 2020 forecast expected the Eurozone to contract by a record 7.75% in 2020 before growing by 6.25% in 2021. The EU-wide economy will be similarly affected initially contracting by 7.5% before growing by around 6% in 2021. The sharpest declines were predicted for Greece (9.7%), Italy (9.5%) and in Spain (9.4%), with this downturn estimated to likely be significantly worse than the 2009 crisis, when the EU economy contracted by 4.5%. An uneven recovery among member states could also threaten the stability of the Euro. Public debt within the Eurozone is expected to increase to 102.7% of GDP in 2020, up from 86% with the debt ratio for Eurozone’s third largest economy—Italy—particularly precarious at 158.9% predicted for 2020. As Commissioner Paolo Gentiloni noted on 6 May 2020, ‘It is now quite clear that the EU has entered the deepest economic recession in its history’.¹⁵

It may prove to be the case that some things are more important—and possibly more enduring—than Brexit, a conclusion that was all but unthinkable before Covid-19. Just as Brexit in part was a reaction against the free movement of people and the commitment to deeper integration across a broader spectrum of policy domains, Covid-19 has presented brutal challenges to some of the integration process’s most sacred principles. The open borders of Schengen, subsidiarity and assigning responsibilities between the EU and its Member States and even the scale of the EU budget and the concept of debt mutualisation. It may be difficult to disentangle the individual impacts of Brexit and Covid-19, but together they herald a new experience for solidarity. Only time will tell if this experience will enhance or diminish integration for the EU27.

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¹⁵https://ec.europa.eu/commission/presscorner/detail/en/speech_20_822.

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Chapter 2

Post-Brexit and Post-Corona: The UK, the EU and Central East Europe: ‘Illiberal Democracy’ and the Influence of China



Kumiko Haba

Abstract In this chapter, the author investigates and analyzes the effect of Brexit in the UK after Covid-19, the expansion of China’s influence in the Central–East–Southern half of the European Union, and the emerging narrative of “Illiberal Democracy” from Hungary’s leader Victor Orbán that is shaking western values in Central East Europe*.

In the UK, the birthplace of parliamentary democracy, the parliament rejected the Withdrawal Agreement negotiated between the EU and Prime Minister May on three occasions. After the May government resigned, the government of Boris Johnson in the wake of a general election victory (December 2019) was able to secure a prompt exit from the EU at the end of January 2020.

However, the new economic relationship between the EU and the UK is yet to be reconstructed.

Negotiations remain on-going at a time when Covid-19 continues to cause a large loss of life and major economic disruption. It is a phenomenon not to be overlooked, that Asian Countries controlled Covid-19 very well, including Australia and New Zealand, but especially Hong Kong, Taiwan and Vietnam.

*The author defines this region, Central East Europe, according to the definition of Oscar Halecki. Central East Europe lies in the Eastern part of Central Europe between Germany and Russia, and the area’s nations are currently members of the EU. Historically, this area was under the control of the Habsburg Empire, the German Empire, or the Russian Empire. Politically this region was influenced by democracy, liberalism, socialism and independence, and continued to seek freedom and liberation against the Soviet system. It is also a region where the people refer to themselves as “Central Europe” and insist on the unfairness of referring to them as “Eastern Europe” during the end of the Cold War and the period of negotiations for accession to the EU. Historically, most of citizens of this region tried to embody European values rather than European skepticism, but most of their life have been under the control of neighboring big powers. Although they have been leading the European Revolution in 1989, after joining the EU, they began insisting nationalism, populism, unique democracy and economic development. Halecki (1980). Kumiko Haba, *Nationality Question in Integrating Europe*, Kodansha Gendaishinsho, 1994–2004. Kumiko Haba, *Enlarging Europe, Searching Central Europe*, Iwanami Publisher, 1998–2003.

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How will the post-Covid-19 world change? The trend of international ‘power politics’ in the early twenty-first century appears to be strengthening, Chinese influence is widening through the 16 + 1 and 17 + 1 policy and is making itself felt across half of the European Union. As a result of Brexit, the future of Britain’s political and economic clout remains uncertain.

Are we now truly witnessing a shift in the global order when the economic and medical reliance and wider influence of Asian countries become a reality post-Brexit and once Covid-19 abates?

Introduction: Post-Brexit: The UK, the EU, Central East Europe and China

This article analyzes and investigates the following three points on a historical basis and geopolitical background from the viewpoint of international politics before and after Brexit.

(1) The transformation of Power in Europe, (2) The withdrawal of the United Kingdom (UK) from the European Union (EU) and its effect, and (3) The decline of traditional European values, in the face of the promotion of ‘Illiberal Democracy’ and the influence of China. In so doing, it focuses on the following three parts.

(a) The changing process of the relations among three parts of Europe: the UK, Europe and Central East Europe, (b) The transformation process of power relations of European integration, and (c) The expansion of China’s influence to Europe (especially to the eastern and southern part of Europe).

EU research can sometimes come across as being too Brussels centric or focusing too much on the United Kingdom, Germany, and France. However, as is well known, the EU consisted of 28 countries (27 since the departure of the United Kingdom). Following the end of the Cold War, the bloc expanded eastwards on three occasions: 2004, 2007, and 2013 that brought 11 countries of former Eastern Europe (as well as Cyprus and Malta) into the organization. As a result, the EU not only expanded geographically, it also expanded the reach of its value system. This point must not be neglected.

Enlargement also ensured that the EU became the world’s largest economic organization, not least surpassing the United States’ in terms of GDP, prior to the 2010–12 Euro Crisis.

However, since the early twenty-first century, the flip-side of its economic strength has been an increase in economic inequality and the reduction of social security and healthcare as a result of neo-liberal “small government” policy.

Simultaneously, there was the economic growth of China and India. In particular, China’s growth and “Belt and Road strategy” has resulted in the 16 (countries in Central and Eastern Europe) + 1(China) beginning to forge closer ties. This has

witnessed China beginning to enter the border region of Central East Europe within the EU as a result of infrastructure development, investment, trade, and railway construction, and via its offer of medical and social security care during the Covid-19 pandemic.

After the UK withdrawal from the EU, 11 of 27 countries are Central East Europe, and with the participation of Serbia and Balkan countries in the future, geopolitically the EU will move further east and south, not only geographically but also in terms of values and behavior.

If the influence of China and Russia increases, will the traditional characteristics of the EU (which had been forged by Western Europe) be changed greatly by developments in the east and south?

Therefore, it will be necessary to reconsider that nearly half of the EU is constituted by the countries of Central East and Southern Europe, not only considering that they are “poor and backward” region, but we need to investigate and analyze the new structural position of the EU greatly transforming from west to east and south, after the result of the withdrawal of the UK from the EU. As we will see in the latter half, China has expanded its influence on 16–17 countries of the EU, including Greece.¹

It might be possible that half of the EU member states will receive greater influence from China and other Asian countries than from the EU headquarters in Brussels, in economics, trade, investment, and infrastructure development. Could that also result in a competing set of values within the geographical space of the EU? Such a possibility cannot be overlooked or neglected.

It is not a nightmare that the main powers of the EU may be replaced by China and Central Europe or Central East Europe without realizing it.

(1) After Brexit and the Corona Crisis in Europe

In spring (February to June) 2020, the dramatic impact of Covid-19 especially against five major European countries (Spain, Italy, UK, France and Germany) and the USA. This resulted in the economic harm of developed countries in the EU and the USA, and opens the door for the expansion of the influence of China on the EU, especially to the eastern half of the EU, in Eastern and Southern Europe in the long run. Coronavirus is not the reason for the process but it has strengthened and promoted such a tendency.

Another part of the reason is the impact of Brexit. In one part, it brought with it the ‘decline of authority’ traditionally associated with the UK not least as a result of the impasse within the House of Commons. The time and energy taken up by Brexit also impaired the UKs validity and political leadership to solve the problems in the EU, and in the world as well. Such impairment can also be witnessed with the USA as a result of the decisions of the Trump administration.

In addition, during the Covid-19 crisis in the USA and Europe, the spread of the infection and the number of fatalities in the UK has been extremely high; even Prime Minister Boris Johnson was infected. The government’s failure to adequately deal with the outbreak compared to other countries has undoubtedly damaged the UK’s standing in the world.

¹Sato (2019).

The policy failure not to be part of the EU's joint medical assistance (initially appearing to insist on a herd-immunity strategy), and the decision not to be part of the EU respirator acquisition program further damaged the UK's reputation. As a result, of the decisions made in the USA and Europe, Anglo-Saxon leadership has shown itself to be much less effective than one might have expected.

On the other hand, Covid-19 infection rate after the dramatic expansion of China's rapid measures and in South Korea, ASEAN countries, Taiwan, Hong Kong and New Zealand of infection suppression has shown a superior set of leadership examples. Thus, what we are witnessing is the flow "from the USA and Europe to Asia", was not only economic and information, but also medical care, social order, and infection control.

The measures against Coronavirus have also adopted a different strategy between Asia and the USA and Europe. The US and European systems chose "lock-down." On the other hand, the Asian medical social system emphasized "self-restraint," suppression, cleanliness, Confucian community and solidarity, etc. Corona infection ability and death rate were the same, 2–3%, but the Asian approach appears to have had a decisive advantage in preventing the spread of corona infection and mortality rates.

Another thing that has not been paid much attention to in the corona crisis is the low mortality rate in the old Socialist countries. Russia recently took place strong infection, but it shows less dead than 1% mortality. (Of course, the possibility of statistical deficiencies cannot be ruled out). In former communist countries other than Russia, infected persons also increased, but mortality rates have been smaller than the European great powers, except for Germany. Spain and Italy across the board experienced 13% mortality; Central East European countries are less than half. (only in Hungary, the number of infected people is low: about 3535, but the death rate is almost 13%, 462, but the death rate in Romania and Poland is less than 4–6% of infected persons.)

In this article, the author investigates the important key, the relationship among the UK, the EU and Central East Europe under post-Brexit and Corona crisis, helping predict the European and global political economy but has not been much discussed until now, and the EU has consciously been neglected. Moreover, the author examines the expansion of the influence of China, not only in economy but also on medical care, and clarifies the transformation of the EU structure after Brexit and Corona.

1 The United Kingdom, Europe, Central East Europe—Historical and Geopolitical Background

Central East Europe, that is to say, former Eastern Europe or East Central Europe area has the following geopolitical characteristics.

(1) Historically and geographically, it is surrounded by strong neighbors, Germany and Russia (Soviet Union). It is a multiethnic region. However, precisely because of this, in order to not be swallowed up by the influence of two large powers, (2) The UK and the USA, as counterparts and as the expectations on the role of liberal democracy and military forces were introduced and were present in force.

This area is historically under the so-called “Resale serf system (Die Zweite Leibeigenschaft)” (Engels).² In the development and modernization process of Western industrialization, it was incorporated into the structure; western modernization was supported by “resale serfdom.” It is also a hinterland of agriculture, and as a result, it became an area where the liberation of nations and the liberation of serfs were delayed.

(1) Premature Political Awareness and Immature Economic System

Due to the historical experience mentioned above, Central and Eastern Europe were often labeled as having a “premature political consciousness and immature economic system” (Esterhazy).³

Consequently, the movements of liberation of farmers and people existed from an early stage. It is also a region where Western liberalism, nationalism, democracy of the people and the idea of labor movement have already existed since the nineteenth century.

Such a “premature political consciousness and immature economic system” combined with the characteristics of the hinterland supporting modernization of the West forms the unique character of Central East Europe.

(2) Trust in Liberalism and Democracy

Under these circumstances, as a feature of Central East Europe, in order to counter against Germany in the West, and to counter against Russia in the East, the USA and the UK as the symbol of liberalism, democracy, modernization, and national liberation of the principle was relied upon strongly. With the fusion of feudalistic characters and modern philosophy, the region evolved it will grow as a unique ethnic area that had a hybrid character.

For example, in particular Poland, already a premodern system, under feudalism existed as “noble republic system (Polish: Rzeczpospolita)—to elect a king in feudal parliament”.⁴ That was its historical experience.

It is well known that nations in Central East Europe drew upon the political model of the UK and USA (nationalism, liberalism, and democracy) in their struggle against the Habsburg Empire, the German Empire, and the Russian Empire during the World War I.

²Nakamura (1977).

³Esterhazy Peter, translated by Mika Waseda, “Eyes of the Countess of Hahn-Hahn—Down the Danube” (Imagination of Eastern Europe 3), 2008.

⁴Naruhito Toriyama, “Aristocratic Republic of Poland”, *Hokkaido History*, 1960–07.

Liberalism and democracy (as well as the ideas of the socialist movement) would be used against Nazi Germany and the Soviet Union in the World War II, as tools to try and counter domination. This was inspired by UK liberalism, the nation-state philosophy and the German social democracy movement. During WWI, they collaborated with the USA and the UK, and developed antiGerman and antiSoviet Union movements.

It is well known that during the Cold War, Central and Eastern countries repeatedly sought to break away from Soviet domination: restoring independence, sovereignty, and “Socialism with a human face.” They also hoped that the USA and Britain might liberalize democracy and restore unity in Europe. That is, because it was historically geographically surrounded by military powers like Germany and Soviet Russia, the liberal idea was a powerful symbol for them. The values that they held onto in the hope of liberating themselves were the liberalism of Britain, democracy in France, social democracy, and “socialism with a human face.”

Especially Poland, which found itself occupied by Nazi Germany and the Soviet Union. It formed a government-in-exile that was based in London that continued for the duration of the War and the Cold War.⁵

(3) Relation Between the UK and Central East Europe After the End of the Cold War

What then about the relationship between Britain, the EU, and Central East Europe after the end of the Cold War and after the EU enlargement?

- (1) Central East Europe was basically and economically in the framework of the German economy.
- (2) That is why they expected the support and the leadership of the UK, after the end of the Cold War. Large amounts of young students, professionals, women, skilled, and unskilled workers utilizing their rights as EU citizens took employment in the UK, France, Germany, as well as Brussels with the EU headquarters.
- (3) This resulted in the local people of the UK feeling a sense of discomfort toward the immigration from Central East Europe and exacerbated the relationship between the UK and Central East Europe and triggered the UK resistance toward the EU regarding immigrants and the EU bureaucracy.

⁵Galinsky (1985).

2 The EU Enlargement and the EU's Ruthless Treatment of Central East Europe

From 1996, the so-called "EU Eastward Enlargement" started, and the accession negotiations (Copenhagen criteria), began. There also existed the feeling in the west side of the EU, that Central East Europe, which was the former communist bloc, that the countries were heterogeneous, and requested them to become integrated with the EU in political, economic, and social contact to through EU law (compliance with the *acquis*). It changed the life, economy, and social style of Central East Europe, which had been completely different for decades.⁶

While staying in Hungary in 1995 and in London in 1996 for a total of 2 years, the author witnessed the disparities and structural changes in the EU due to the expansion of the EU.⁷

From 1995 to 2004, as a result of removing the vestiges of the socialist system, and being forced to comply with Brussels' Western standards, liberalization, democratization, and marketization, people from across Central East European recoiled against the EU. At the turn of the century from the twentieth to twenty-first, and from 2004 to 2007, upon getting the membership of the EU, the dream and reality's discrepancies began.

Because of the gap between the West and East, Western Europe set the policy in terms of a "Europe of the two-speeds and two dimensions." The fact that domestic governments across Central and Eastern Europe adopted policies, in order to comply with the demands of the EU, cost them politically as their citizens became disgruntled.⁸

In particular, consider the Polish dairy products and wine, agricultural products like Foie gras in Hungary, traditional and historical special products of Central East Europe. The EU wanted to protect the vested interests of the EU members in Western Europe by limiting market access of the products of new member states, and using EU subsidies to, for example, shrink vineyards in the region, which caused widespread dissatisfaction in East European nations. The EU consciously lowered wages in Central East Europe to keep the EU competitive with Asia.⁹

All these situations in the EU disparities spread discontent and nationalism in Central East Europe against the EU.

Below, this article analyzes the UK's decision to withdraw from the EU in June 2020, and the transformation of the power inside the EU, and the influence of the Brexit impact,

- (1) The relative decline of the power of the EU,
- (2) China and India, especially China's Belt and Road Initiative and Central East Europe,

⁶Haba (2004).

⁷Haba (1998).

⁸Haba et al. (2006), Haba (2004b).

⁹Csaba (2006).

(3) And “Illiberal democracy,” conservatism and nationalism, and Euro-skepticism in Central East Europe.

In particular, in the latter half pages, I investigate China beginning to enter and collaborate with 16 + 1, which happened in 2019.(including Greece 17 + 1).¹⁰ On the topic of construction, we consider such the facts of Central East Europe in the area of constructing roads, railway infrastructure, development, and investment.

It is also revealed that Brexit, not only led to the rapid decline of Britain’s power on the European continent (not just with EU member states) its prestige is also waning in the neighboring small countries and the former colonies of the British Empire.

This effect is seen even in the UK–Japan relationship, which has been a historically friendly collaboration for 150 years, except during WWII, and the UK was the model of Japanese modernization. However, after Brexit, Honda and Hitachi have announced plans to withdraw from the UK.

Eastern and Southern European countries have also been observing and learning from the reality of the international situation and the UK’s Brexit experiences and have cautiously determined that a different path is in order. They do not withdraw from the EU; they are taking the opposite actions that the UK is taking. That is, in other words, even though they are dissatisfied with the EU, they remain inside the EU, and aim to oppose and reform from the inside.

The UK, leaving the EU is no more the leader of the half billion people in the EU’s political, military and economic system. Even though the UK has only 55 million inhabitants, it has the world’s fifth largest GDP after Germany. After the decision of Brexit, Boris Johnson approached China and wished to ask for additional investment in nuclear power generation and collaboration with Hua Wei’s 5G system.

This was postponed by the expansion of the coronavirus. China started a “masks diplomacy” after the recovery of Wuhan’s situation from the end of March, but there is another problem, which is that it was revealed that many masks and antibody test kits were defective in Europe and were not certified by the Chinese government.¹¹

The evaluation of the UK changed drastically during the 3 years since June 2016. In the rest of this chapter, we will investigate the transformation of the British international status and how the power relations in the European continent have changed politically and economically, and how China or Russia is seeking to build linkages in Europe.

¹⁰Tonami (2019). Astrid (2018).

¹¹BBC News Japan (2020).

3 Transformation of British International Status and Change of Power Relations in Europe

From the so-called imperialism era of the nineteenth century until World War I, the British Empire was the model of modern capitalism. Its role was symbolized by the sterling pound and Union Jack national flag.

After World War II, even though the top position of economics and military was assumed by the USA and the Soviet Union, the collaboration between the USA and the UK remained an important symbol of the European Community is a bulwark against the Soviet influence during the Cold War. During that era, although the global role of the UK was in decline, it still continued a leadership role in military, politics, and economy in the EC/EU.

Major changes would take place after the end of the Cold War. In 1989, the former Eastern European countries abandoned socialism, seeking instead a “Return to Europe.” The role of Germany was expanding to the East, at the turn of the century from the twentieth to twenty-first. On the other hand, China and other Asian ASEAN countries rapidly were rising and collaborating with the EU and as part of the ASEM (Asia Europe Meeting—established in 1996) which had adopted a three-pillar structure encompassing political, economic, and social culture matters. More specially, the politics strand dealt with terrorism, maritime security, energy security, disaster prevention, immigration problem, the economic strand saw the formation of the Asia-Europe Business Forum (AEBF), while the sociocultural strand dealt with culture, arts, education, youth, and the exchange of students. The ASEM decided to put an emphasis on “open regionalism.”¹²

(1) The Center of Gravity moves to East in Europe

Under these circumstances, the center of gravity of Europe moved eastward both inside and outside the EU.

The EU Enlargement toward Central East Europe meant the historic and local expansion of German influence¹³ to the Central and Eastern parts of Europe.

The introduction of the Euro, the expansion of the continental economic zone, and the shift of Central East Europe to the EU (due to the EU’s geographic shift to the east) resulted in a diminishing role of Britain. Nonetheless, for Central East Europe it continued to remain an important player as a counter for Germany and Russia. The geopolitical position and role of the UK and the USA were extremely attractive for Central East Europe.

More recently, though, decisive change was caused by the expansion of China’s influence. This has come about via a rapid-fire pace of change centered around two initiatives. First, the AIIB (Asian Infrastructure and Investment Bank) brought the opening.

¹²MOFA (2020).

¹³Haba (1998).

The second is the Belt and Road Initiative policy that includes a European dimension and is marketed as a win—win economic policy. It now straddles half of the earth, through land, sea, and the Arctic “triple necklaces’ routes. It is the 100-year Silk Road Economic Zone concept.¹⁴

China and Russia have signed treaties to embark upon collaborative activities between the BRI and the Eurasian Economic Alliance, including Shanghai Cooperation Organization (SCO). Collaboration of Russian military and Chinese economy might become a menace to the EU where division and internal divergence was already apparent.

Cooperation between China and Central East European countries was established in 2012 and is currently 16 + 1 (17 + 1 including Greece) since 2020.¹⁵

China’s influence has expanded in the eastern half of the EU in a wide range of areas such as infrastructure, investment, economy, trade, politics, information, at the same time as the main axis of the EU has shifted from the west to the east.¹⁶

It is the expansion of Chinese influence to the UK and the EU, which is taking place in parallel to the confusion of Brexit; it is also the expansion of relations between China and Central East Europe. As an effect, it also brings forth a division of the EU by China and Russia.

(2) Brexit and Russian Influence on Populism

The Brexit referendum brought a great shock to many EU countries. During the European refugee crisis of 2015, populism and nationalism were widespread throughout Europe. The sense of crisis and fear spread across the bloc. This came at a time when talk about leaving the EU featured in the political debates of several other member states such as Italy, Greece, or Hungary.

On the other hand, when the Maidan Revolution happened in Ukraine in 2014, Russian president Vladimir Putin decided to have a referendum and occupied the Crimean Peninsula with the Russian Army after the national referendum was incorporated into Russia. Because of that occupation of the Crimean Peninsula by Russian Army, Russia was expelled from the G8, and British government and other European government simultaneously summoned their ambassadors from Russia due to the assassination.

Under these circumstances, Russia started to support and funded aggressively the European Populists, such as Nigel Farage of UKIP, Le Pen of FN, Alexis Tsipras, Greek Prime Minister. The European Commission criticized Russia in an article that Russia is dividing the European Union by funding populists.¹⁷

¹⁴Haba (2016c). Yukawa (2018).

¹⁵*Shizuoka Shimbun* (2019). *Saga Shimbun* (2020).

¹⁶Kaczmariski and Jakóbowski (2015).

¹⁷Haba (2017b). Haba (2017a).

4 Brexit and the Decline of the UK and the US Prestige: The rise of “Illiberal Democracy”

In the UK, the draft Withdrawal Agreement negotiated with the EU by UK Prime Minister Theresa May was rejected by the parliament on three occasions—contributing to her eventual resignation in June 2019. Boris Johnson, who came into power after that, said that he was not afraid to leave without an agreement. He eventually reached a compromise deal with the EU that included the matter the Irish border and tariff issues for Northern Ireland (a deal not so dissimilar to what the EU had offered PM May but which she had rejected). In the general election in December 2019, the Conservative Party gained an overwhelming victory that gave Johnson a large majority to get his deal passed by the parliament. On 31 January 2020, the UK officially left the political institutions of the EU.

On the other hand, even in Southern Europe and Central Eastern Europe where populist political parties are strong, the disillusion to the UK began to spread with the EU leadership.

The difficulty of the UK’s departure from the EU greatly impaired the UK’s position at home and abroad. As a result of that, ironically, the Brexit process had helped calm the populist political assault on the EU. At the May 2019 European elections, for example, only about 20% of the populist parties across the block managed to get seats. Many Central and Eastern European countries were also disillusioned having witnessed first-hand Britain’s difficult experiences.

Brexit was the result of direct democracy, a referendum, but similar to the presidential election of President Trump in the USA, it showed a loss of trust in the international order that had been dominated by the USA and the UK for the past 100–200 years, which was in fact constructed by the UK and the USA.

It indicated and produced a difficult and basic question, “What is democracy?” in the face of the rise of populism. This caused an explosion of books such as “Self-Death of Western Europe,” “The way to die of democracy”.¹⁸ Such books were published and widely read one after another, and through these books, values of modernization, democracy, liberalism, marketization themselves are also reconsidered and discussed.

Expansion of Coronavirus in the USA and Europe

Ironically, the coronavirus had drastically spread from February in 2020 all over the world especially in Europe and the USA. These countries were locked down, but it continued to spread until almost 5 million people were infected and 320 thousand died. It spread to emerging countries as well including the BRICS (Brazil, Russia, India). It damaged the infrastructure of developed countries: affecting economy, politics, military, and medical and social security system. These are the pillars upon which trust and the social structure of citizens rest, but these modernized systems

¹⁸Murray (2018). Steven Levitsky (2018).

are being severely challenged by Covid-19. I would like to investigate how the USA and Europe were influenced by coronavirus (see below).

Many European countries are reconsidering “solitude and solidarity” and help and support each other, but Trump in the USA criticized the “China virus” and Tedros, WHO’s secretary general, and the UK criticized the EU.

(1) “Illiberal Democracy”: A solution different from Brexit

Against this backdrop, among Central East European countries, it has been left to the government of Hungary (as well as Poland) to challenge the EU’s norms and values. At the forefront of this challenge is Hungarian Prime minister and leader of Fidesz—(Fidesz Magyar Polgári Szövetség—in English—Fidesz-Hungarian Civic Alliance) Victor Orbán who has advanced an alternative vision—what he calls an “illiberal democracy”.

It rallied against immigrants and promoted refugee exclusion, recovery of sovereignty, etc., leading EU officials to severely criticize the Hungarian Government’s actions and commence sanctions procedures.

Poland also decided to publish a new law on the Supreme Court, which violates the independence of the judiciary, and the EU decided to take them to the EU Court of Justice.

However, according to reports from a Berlin reporter, there are also problems with the EU’s response, because sanctions for the suspension of voting rights require unanimous decisions by the member states except the target countries, but the Czech Republic and Bulgaria are opposed. Therefore, sanctions have remained unenforced against Central East European countries even though they are in conflict with the EU’s agreed position on immigrants and refugee acceptance.¹⁹ Against this backdrop, the influence of China and Russia has penetrated into Central and Eastern Europe, further deepening the division within the EU.²⁰

Fidesz have won three straight victories in the general election in 2010, 2014, and 2018. Its success originated from a skepticism concerning the EU’s neoliberal competition policy in the twenty-first century, and a keen criticism of the corruption of the Socialist Party who carried the EU’s policy domestically.

In Hungary, the Socialist Party, the former Communist Party, led much of the process of reform at the end of the Cold War post-1989. However, when they lead the reform from 2002, the Minister of Finance at that time, Lajos Bokros offered the Bokros Package (Bokros Csomag), which was a neoliberal competition policy, and

¹⁹According to the AFP on September 13, 2018, the European Parliament adopted a resolution for political sanctions against the Hungarian Orbán administration. Orbán argued against the report leading to this resolution as an insult to the Hungarian people. Sanctions are based on Article 7 of the EU Basic Convention, used for the first time in the European Parliament. Sanctions under Article 7 of the EU Basic Convention were also resolved by Poland in 2017 by the European Commission. AFP 2018.9.13. <https://www.afpbb.com/articles/-/3189426>. However, in reality, EU sanctions against Poland and Hungary are not being implemented due to the opposition of Eastern European countries, and it is said that only fragmentation will be prolonged.

²⁰Miyashita (2019).

carried out the fiscal reform, to reduce social security and public policy spending. From that time, people's discontent increased. As a result, the Socialist Party could not recover from overseeing the expanded economic disparity after the end of the Cold War, and could not even realize a sustained economic recovery. In addition, plagued by corruption allegations they lost the trust of the people. After the former eight Central East European countries joined the EU in 2004, the dissatisfaction raised against the Socialist Party's government, and the corruption of the government in the process of dismantling state-owned enterprises increased public dissatisfaction. As a result, the conservative government of the Fidesz—Hungarian Civic Alliance was readministered, subsequently, long-term singly administrated government by prime minister Victor Orbán has continued for a period of over 10 years and has maintained two-thirds majority of the parliament.

However, the 20 years after the end of the Cold War in 1989 was the time when major painful economic reforms were carried out to abolish the socialist system and to join the EU. This necessitated the introduction of liberal economic policies and the wiping out of the old 'command' system. It could be said that this was an unavoidable issue for any Central East European government trying to join the EU.

That is why in both Poland and the Czech Republic, conservative parties were forced to balance their economic policies with their cultural defensive policies when they introduced the EU's rapid prescription for the introduction of a Western European system.

(2) Orbán's Majority Strategy—"Illiberal Democracy" and Creating Workfare Community

The notorious Fidesz leader, Victor Orbán was a lawyer and was the youngest Prime minister at the age of 35 in 1998. Leading Fidesz, (which in English means Youth Democrat Union) started from the liberal democrat party originally, his speech was rational and logical against the Socialist Party, which was organized by the Horn and Gyurcsany administration from 1994 to 1998, 2000 to 2010, which was stable but mismanaged discontentment of the people. Much of Orbán's support base comes from the countryside and villages. They were attracted to his insistence of independence from the EU, restoration of sovereignty, nationalist policies and links with 1.5 million Hungarian minorities outside the border.

In 2010, Fidesz won the election with two-thirds of the votes against the socialist government's unregulated failure. He has continued to overwhelm the opposition with an atmosphere of anti-immigration, exclusion of immigrants, and support for Hungarian minorities outside the border in Romania, Slovakia, Austria, and Serbian Vojvodina. Above all, he defends the conservative national interests of the region against liberal trends that tends to be associated with capital cities. This has enabled him to maintain an overwhelming parliamentary majority and concentrate his power.

The wider goal is to form a conservative political community group in the region and create a "workfare" system that supports the administration as the aggregate of workfare. It draws upon the UK's departure the EU, the local dissatisfied people who underpin the Trump administration, the elderly who fear welfare loss, and the

nationalists who are dissatisfied with the EU's liberal competition policy. Orbán spontaneously formed a conservative “workfare” community around the liberal capital, consolidating those dissatisfied groups to protect Hungarian interests. It has proved to be a successful method of populism.

Against the background of such a region of aggregate welfare system, against the liberalism of the EU, he insisted on the merits of an “illiberal Democracy”, based on the “popular support” dictatorship. He has succeeded in promoting a shift of the concentration of power to the government and has maintained and further strengthened a stable long-term dictatorship despite criticism both inside and outside of the European Union.²¹

(3) “Illiberal Democracy” will Lead the World to Success”

“Illiberal Democracy” was a policy vision asserted by Orbán after the landslide victory in the general election, in a speech in a local city in 2014.

He said: “Successful nations are not necessarily liberal. There is also non-liberal democracy (in the world). Now the Stars of international politics and economics are Singapore, China, India, Turkey, and Russia.

It is time we are set free from the western dogma. We are thinking about how to organize the best societies that can compete and win in magnificent world races. We will not reject liberalism, but we will not make it the central idea of the state”. “There are nation states, liberal states, and welfare states (in the world). What comes next? Workfare states.”²²

Therefore, so-called “Illiberal democracy”, democracy without liberalism, means to promote a concentration of power based on an organized and widespread “popular support” dissatisfied with modern global capitalism. Following the model of successful nations in the world, it is important to create social communities in each region, for example by forming Hungarian civic groups, workfare communities in each region, and thereby support the government”.²³

As Orbán said, they need to move away from the dogma of neo-liberal globalization in Western Europe, which widens the gap and widens corruption, and looks down on Central East Europe and Southern Europe—an approach that had been followed by the rather liberal leadership of the Socialist Party. For Orbán learning from China, Russia and India necessitates a powerful state based on a “workfare” community, “democracy without liberalism” and the support of local people.

This is a way of thinking by theoretically taking populism one step further, that explored and examined the way of successful centralized countries in economics such as China, India and Singapore, after the decline of Western European powers.

It is a persuasive but dangerous thinking for pragmatism.

²¹Kallius et al. (2016), Buzogány (2017), Haba (2011).

²²Full text of Viktor Orbán's speech at Băile Tușnad (Tusnádfürdő) of 26 July 2014, July 29, 2014 -by Csaba Tóth, Budapest Beacon, October 13, 2013- April 13,2018. <https://budapestbeacon.com/full-text-of-viktor-orbans-speech-at-baile-tusnad-tusnadfurdo-of-26-july-2014/>

²³*op. cit.* And see Zakaria (1997).

It cannot be overlooked that in the background there was the regional disparity that the EU and Western Europe had taken over the 30 years as neo-liberal competitive policy after the Cold War, and the political and economic inhospitality to Central East Europe. Also, the historically respected UK has left the EU, but it does not appear to be successful either.

The situation must not be overlooked that there was a political and economic snub to Central East Europe from Western Europe. In order to maintain competitiveness against Asia (cheap products, cheap wages), Western Europe considered Central East Europe as a hinterland allowing EU of different speeds and dimensions, which is symbolized by the so-called “two-speed, two-dimensional Europe”.

Central East European skepticism originated from the EU regional integration as part of Western European neo-liberal competition policy. But unlike the UK Brexit, they attempt to act to stay in the EU and avoid the collapse of the nation state, while implementing a strategy of self(country)-defense.

Orbán—Fidesz Civil Alliance has supporters in the outside, Jobbik (better people = extreme right. In Hungarian language, “right” and “good” are synonyms), seated in the Parliament since 2010. Both raise immigrant exclusion, anti-Semitism, and Hungarian nationalism. By the double outer-moat with autonomous organization of local conservatives (workfare) and with the extreme right-wing, they exclude other political parties and have maintained strong power successfully from 2010 to 2020, although they are not “liberal,” but “majority democracy” supported by local self-workfare organizations.

(4) The Balanced Policy in Poland between Law and Justice (PiS) Government and Tusk

In Poland, Jaroslav Kaczynski and PiS (Law and Justice) took power in 2005–2007 and 2015–2020.

PiS is a traditional Catholic right-wing party, founded in 2001 from political forces that had ties to the original Solidarity movement. Then PiS became the first party in 2005, when the Kaczyński twins became the prime minister, (Jarosław Aleksander Kaczyński, elder brother), and president (Lev Kaczyński, younger brother). However, President Lev Kaczyński and cabinet ministers died in a crash of the presidential airplane near the forest of Smolensk suburb, close to the Russian border, on the way to lead official mourning ceremony in the Katyn forest.²⁴ The “Katyn Forest Incident” concerned the murder of thousands of Polish cavalry officers by the Soviet KGV in 1940. It has left an unbelievably high level of distrust and a wound that could not heal between the Polish people and Russia.²⁵

²⁴On April 10, 2010, the military aircraft (T-154) crashed as an accident in Katyn Forest, carrying the members of Parliament, including the Polish President and his wife, the Chief of Staff of the Armed Forces, attempting to commemorate the genocide in the Katyn Forest. <https://www.afpbb.com/articles/-/2717331>.

²⁵Katyn Forest genocide: 22,000 officers, police officers, and clergy were shot dead in the Katyn Forest on the outskirts of Smolensk, in the event of the disappearance of 250,000 officers, prisoners, and civilians taken by the Soviet army in 1940. It was only decades later in 1990 that the Soviet

Unlike Hungary, Poland has a strong sense of mission as a “western fort that protects Catholicism” because it is a West Slavic nation that has historically accepted Catholicism and has a historically anti-Russian/anti-Soviet ethnic identity. There was a strong solidarity in Poland with England. Therefore, in modern history, relations with England were a strong memory for a long time. However, since joining the EU, there is a strong sentiment among the people that EU policies are damaging their own national interests.

PiS has policies which are common to other Central East European countries, such as immigrant expulsion, anti-Semitism, Polish Catholicism, as well as continuing free medical fees which was the strategy of the socialist era.

When it comes to certain cultural values, however, PiS takes a different line from other liberal countries; it had approved a ban on abortion, and prohibition of same sex marriage. However, the bill that banned abortion in the House of Representatives in 2016 was rejected due to the spread of demonstrations by hundreds of thousands of people.²⁶

Sanctions were approved against the PiS regime by the European Commission in 2017 under Article 7 of the EU Basic Treaty but those sanctions could not be enforced due to an inability to secure unanimity from the other member states. So, Kaczynski argued that “the EU was just hysterical and could not do anything useful”.

On the other hand, another prominent politician in Poland holding many opposing views to Kaczynski, Donald Tusk, represented a strong liberal/progressive strand in Polish politics. He was the leader of the opposition party, Civic Platform (PO), which is a moderate liberal party. Tusk was prime minister from 2007 to 2014 before assuming the role of the President of European Council for a 5-year mandate. His balanced approach to the Brexit negotiations was highly evaluated.

In that respect, Poland is different from Hungary’s one-party rule of the Fidesz Civil Alliance under Orbán. In Poland, we can witness the presence of parties promoting both a strong pro-EU and anti-EU stance.

Poland is a member of the Weimar Triangle (Germany, France, Poland, the three countries’ leaders and foreign ministers summit), which was founded in Weimar, Germany in 1991, and the largest population and territory in Central East Europe and is second only to Spain in the EU, furthermore, and has a strong army which participates in a voluntary coalition army with the USA. Therefore, Poland has a leadership role in the EU and Visegrád four countries.

Union acknowledged that the massacre had been carried out by the NKVD. The tragedy of Polish history, which has also become a novel and movie titled “The Katyn Forest Incident”.

²⁶https://www.huffingtonpost.jp/2016/10/05/poland_n_12367796.html.

5 Visegrád Countries Expansion of Power: The Transformation of European Power Relations

After Britain's withdrawal from the EU, European power relations are changing. In Japan, the German-Franco Union by Merkel and Macron has been attracting attention, however, there are many researchers who suggest the expansion of influence of future Visegrád countries.

The Visegrád countries first came together in Visegrád, Hungary in 1991. At the time, it was composed of three Central East European: Poland, Hungary and Czechoslovakia. With the split of the latter into the Czech Republic and Slovakia in 1993, the Visegrád grouping became four. The V4 as it now well known seeks to build regional cooperation relationships between the four and promote its regional voice within the EU.

The Visegrád countries cooperation originated with a historical symbolic meeting of three kings in Visegrád in 1335. The three kings were the king of Hungary, the king of Poland, and the king of Bohemia. They talked together to compete with the Habsburg Empire and build an alliance in the capital Visegrád at the time of the Hungarian Kingdom.²⁷

The Visegrád countries meeting continues to be held since then, with the economic stability of the four countries, stable political and economic relations with each other and with Germany, opposition to EU bureaucracy, and in recent years expanding relations especially with China as their main priorities.

Because of the UK withdrawal from the EU, several researchers point out that the EU center of gravity might be moving from Western Europe to Central East Europe.²⁸

In the future, due to the UK's withdrawal from the EU, Germany and moderate conservative parties in Central East Europe, and Orbán's "illiberal Democracy" might have influence in the future, especially if they are able to build relationships with powerful nations beyond the EU.

And it was China that noticed that.

6 China and Central East Europe—Post Brexit

On April 13, 2019, Chinese Prime Minister Li Keqiang held a summit meeting with 16 Central and Central East European countries in the Croatian Mediterranean resort of Dubrovnik.²⁹

²⁷Kumiko Haba "Central Europe four countries (the Visegrád countries) Alliance", *Nationalism Question of Integrating Europe*, Kodansha Gendaishinsho, 1999/2004, pp. 161–162, Chap. 7.

²⁸Göllner (2017).

²⁹Nihon Keizai Shimbun (2019).

China's policy toward Central East Europe has a great significance as an important base for the "One Belt One Road" Strategy, which is an infrastructure development plan based on the old Silk Road that goes halfway around the globe from Xi'an, China to Europe as 16 countries + 1. The 16 countries are Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, North Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia. It has provided active economic and political support to small EU countries, such as infrastructure development, road and railway, investment, trade expansion, and strengthening of cooperation, using Chinese money and companies. From 2020, support for medical and epidemic measures will be also added after the corona pandemic.

On April 14, 2020, Li Keqiang of China, added Greece and it became 17 + 1. This grouping therefore includes not only former communist countries but also Southern Mediterranean countries and will expand to include Italy in the near future as well. This means almost two-thirds of the EU 27 Southeast European countries collaborate with China and start to develop an economic relationship.³⁰

After the EU enlargement in 2004, and 2007, for 15 years, the EU has continued to accept the disparities in the new member countries and continue to give priorities to the vested interests of advanced EU countries, such as France, the UK, and Germany.

Central East Europe and southern European countries who are dissatisfied in the EU, and approach China for economic support show that pro-Chinese countries are spreading to Central East Europe and Greece—both countries inside and outside of the EU. This will strengthen after the Covid-19 pandemic crisis.

Russia is also injecting funds and aiding these countries with the aim of increasing its influence and dividing the EU by supporting populist parties and former Socialist countries.

The UK's long and protracted withdrawal from the EU, the division between Western Europe and Eastern Europe within the EU, the income gap and disparity between North and South, West and East Europe, and the disparity emanating from the presence a "two-speed, two-dimensional Europe" are all strengthening disgruntlement toward accepting guidance from Brussels. Under such a situation, Chinese influence will be strengthened across central eastern and southern Europe.

A Professor's words at St. Petersburg State University were symbolic. "China will continue to expand her territory without a war." "In St. Petersburg suburb, there were many dacha(villas) areas inhabited by Russians once, but it is becoming a Chinese area now." "Recently I visited one restaurant where I used to go, but it was already a "Chinese people Only" restaurant, and it is impossible for Russians to go in. Terrible and awful penetration!"³¹

³⁰Jiji.com (2019).

³¹A Professor's words at St. Petersburg State University in September 2019. In the beautiful St. Petersburg city, there are plenty of Chinese tourists and Chinese language, we can hear in streets, more than Russian nations. Many Russian citizens shared the anxieties of the previous Professor's words.

China's influence has panned out across the world, due to its domestic and overseas Chinese economic power, and the number of pro-Chinese cities are increasing within the EU especially in the internet cities network areas. According to NHK's special TV series, even in small cities in Germany where the Mayor thinks that they have fallen behind in high technology, they have begun to launch joint endeavors with Huawei-China. These internet cities network areas are widening to forms of internet lines, across the EU and all over the world.³²

How and which countries could the EU collaborate with after the UK's withdrawal from the EU? Some local governments of the EU, or Central East and Southern East European countries are first cautiously but gradually more aggressively seeking solutions with Chinese economy, trade, investment, and high technology.

7 Conclusion: Post-Brexit and Post-Corona—Where is the World Heading?

Finally, this chapter wants to turn its attention to the transformation of the EU post-Brexit and post-Covid-19.

In December 2020, the coronavirus having emerged in Wuhan developed and rapidly spread to Europe, the USA, and the rest of the world within a few months.

By May 2020, 5 million people, in just five months, have been infected and more than 330 thousand people have died (as of May 20). The USA has 1.57 million people infected and 90,000 people dead. The following top places are occupied by Russia, Spain, Brazil, UK, Italy, France, Germany, and Turkey. In the top five European countries, 1.1 million people have been infected and 130,000 people dead. (As of May 20). The world changed drastically only in several months.

On the other hand, the low number of infections in Central East Europe, especially the low number of dead, deserves special mention. The death rate in the four advanced European countries is around 13%, which is much higher than the general coronavirus mortality rate (2–3%), whereas most of East European former socialist countries have around 4–6%, except Hungary. The mortality rate is less than half that of the developed countries in the EU, which is difficult to explain. The biggest problem is the medical collapse caused by the exponential increase in the number of infected people. Unfortunately, the most basic “joint support” system of the EU was not established in the early stages of the emergency, and each state tried to monopolize masks and medical devices, even Germany, in emergency. Such a lack of a joint support system caused the epidemic medical outbreak in Italy and Spain.

It is the same in the USA. The American epidemic and mass deaths are a total failure of the Trump regime, not China.

First, the USA, and then the UK, became the pinnacle of infection in the world in a noticeably short period of time from mid-March to mid-May. Of the 4.8 million

³²NHK Special (2020).

infected persons and 316,000 dead in the world, 55% of the total infected persons are in the USA and Europe's five major powers; 70% of the total dead are occupied by the USA and four countries in Europe (As of May 18). The USA and the UK account for 37% of the world's infected people and nearly 40% of the dead. Despite the economic and military might, or science and technology power of the two nations they find themselves at the apex of the corona crisis in terms of both infections and death rates. This is a completely abnormal situation that would have been unimaginable to contemplate just a short while ago.

Trump's "America First!" and Boris Johnson's "Britain First!" failed to defeat corona virus.

In South Korea, Japan, Hong Kong and Taiwan, there is a vast Chinese population, but they succeeded in stopping the spread of the infection and curtailing fatalities. It is a situation that needs specific attention and analysis.

The corona crisis has done a great deal of damage to the hegemony and prestige of the USA and Britain. Trump blames his own blunders to the virus on China and to the WHO, which he accuses of having taken China's side. In response he wishes to sanction and raise tariffs on trade with China and is also considering prohibiting certain parts sales to Huawei. But all these actions further undermine American leadership and trust.

The UK also, where Prime Minister Boris Johnson was infected, has found itself in the grip of the deadly virus. It now ranks as the worst case in Europe in terms of infections and deaths. And until June was the most in the world after the USA.

Traditionally, the UK was respected as having one of the highest medical standards and effective welfare states in the world. But now that reputation has been damaged. Furthermore, in developed EU countries, the evidence is pointing to the fact that fatality rates are disproportionately concentrated in "BAME" (Black, Asian, Minority Ethnicity) minorities. In the USA, it was said, that 70% of the dead are concentrated in Blacks and Hispanics. These facts also magnified the damage done to the prestige of the primary carriers of the western liberal model: the USA and the UK.

(1) How to Transform the World After Brexit and After Corona?

Seeing the turmoil of Brexit, many small EU countries have learned the disadvantages of leaving the EU's marketplace of 450 million consumers and instead have turned to "opposing the EU from within the EU".

As part of that strategy they have sought to develop their own values/vision that is different from that of the EU's standard liberal democracy.

At the forefront of this endeavor are the four Visegrád countries and from outside the EU China and Russia which see certain opportunities from strengthening relationships with such countries. Seeing the turmoil of Brexit, the EU small countries who go against the EU, tried to make a realistic choice: stay in the EU rather than withdrawal but simultaneously take a different path from the one promoted by the European Commission. That was Orbán's "Illiberal Democracy", Kaczyński and PiS Catholic Nationalism, and the basis for Visegrád collaboration.

The EU traditionally was driven by the narrative of Franco-German reconciliation and subsequent dominance, but this no longer fully reflects the various values of the EU's small countries, especially those from Eastern and Southern Europe.

The international and domestic environment of the EU has changed significantly due to the competition of liberal capitalism, the adverse effects of disparities, and the confusion of Brexit. The USA–UK free competition, widening disparities, elimination of immigrants, majority democracy and Britain first, American first nationalism, above all, undermined the trust and leadership of the USA and the UK.

Thus, European liberal democracy needs to be reconsidered from the small countries' perspective. The EU's value and facts are no longer a useful and effective "joint collaboration" policy including eastern and southern Europe. And through such gaps and disparity, China and Russia are effectively making in-roads with offers of economic and financial assistance to support public policy and medical and social equipment to help with the pandemic.

The danger that the universal values of liberalism are undermined by the UK's withdrawal from the EU and by the blame placed on China and the WHO by the Trump administration is greater than expected. Both actions are extremely nationalistic and reflect an attitude that has no remorse at collapsing multilateral endeavors.

The corona pandemic crisis exposed these egoistic behaviors of the top two Anglo-Saxon states in terms of medical care and infectious disease control.

Further analysis and examination will be needed on the 16 + 1, or 17 + 1 cooperation policy among China and eastern and southern Europe: economic, trade, investment, and infrastructure development, furthermore medical care, and social security policy. Those will be expanding in 2020 and after, in the post-Brexit and post-corona era.

What kind of answer can the EU give, to the issues arising in this era of destabilization not least when it comes to the challenge of "how can small countries, and weak countries and poor countries best survive?" in the post-Brexit, post-corona era?

The United Nations Sustainable Development Goals (SDGs) policy, with the slogan, "nobody will be left behind" is one of the most important policies, even it is difficult to bring to fruition. Could "illiberal Democracy" promoting a "workfare" type community spread? Is it possible for small countries to emulate successful models implemented elsewhere?

The deadlock of Brexit in the UK, which was a model of representative democracy until the two world wars in the twentieth century, brought at the European Parliament, it caused the last unbearable terrible speech by Farage, Party leader of Brexit Party, based on the unwillingness of the European Union in January 2020.³³

Trump and Pompeo in the USA also blamed nationalistically China and WHO; this is another event which led to the demise and of the international organization constructed after two world wars by Wilson and Roosevelt, presidents of the USA. But in the early twenty-first century, Trump's negligence of corona despite causing tragedy in the USA and causing a large number of black and Hispanic minority casualties, has not even tried to save their own people, and blames China and is trying to apply tariffs.

³³We will be never coming back to the EU (2020). Nigel Farage's final speech.

Under these situations, “illiberal Democracy” might have ample room to spread. Orbán’s stance of looking beyond what he sees as “Western dogma,” instead “searching for another way for nations to become globally competitive and successful” is extremely pragmatic and rational.

Although the “illiberal democracy” certainly has a plethora of problems producing disparity, competition and unemployment, but the dictatorship does not solve the problems of disparity and inequality.

It is a heavy and important agenda for small countries in Asia and Africa, which has always been put as latecomers to the development of the world’s global economy, therefore, they might get their own sovereignty and people’s voice by using their own democracy, in another style of Western countries.

In fact, Asian and African countries have, for that reason, passed the era when they were colonized for centuries and then fixed their economic colonization. They were trying to achieve independent development. But how?

Until 2016, the USA and the UK was the model of modernization, liberal democracy, and parliamentarism. But ironically, Britain’s withdrawal from the EU and the Trump government and the consequences that followed, made people feel disillusioned by losing their trust in both countries, the UK and the USA.

How though might the small countries in Central East and South Europe, members and non-members of the EU solve the problems that they face? One model is the “illiberal democracy” in transition, the other is sub-regional cooperation as the Visegrád countries, and cooperation with China, Russia, India, and/or Turkey. But it is not the last solution.

It is necessary for us to pay attention to and analyze how the EU, Britain, and the USA could overcome conflicts, disparities, the Coronavirus plague, and how they could reconstruct the economic, political, and social structures, confronting populism and nationalism. We need to analyze Asian situation comparatively, where economic development is steadily progressing and so far, we could manage coronavirus plague better than Europe and the USA.

It is necessary to investigate objectively the future growth of the Regional Framework not only in Europe but also in Asia, ASEAN-type governance or RCEP and TPP regional development. Europe also could learn from Asia.

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Chapter 3

Asian Regional Cooperation: RCEP and CPTPP Strategy After Brexit



Sang-Chul Park

Abstract Global trade has played one of the most important roles in contributing to rapid economic growth in the world in the last five decades. However, trade growth has slowed down in the global economy since the global financial crisis. In 2016, growth in the volume of world trade was expected to remain at 2.8%, unchanged from the 2.8% increase registered in 2015. Imports of advanced nations were moderate in 2017, while demand for imported goods in developing Asian economies would rise. Despite the rising import in Asia, the ratio of trade growth in the world has been lower than the ratio of global economic growth since 2013. Therefore, many countries have tried to create bilateral, multilateral, regional, and mega FTAs in order to boost their trade volumes and economic growths. The EU's single market provides several implications to East Asian countries trying to build their own FTA and participate in different mega FTAs such as the RCEP and the CPTPP. As a result, their economic interests are rather divided deeply and related to political and security issues in the East Asian context. Particularly, the new protectionism led by the USA and the UK has emerged and negated the TPP Agreement that turned into CPTPP without the US participation. This paper deals with Mega FTAs such as the RCEP and the CPTPP as well as East Asian economic cooperation. It also argues what East Asian countries' economic interests are by participating in the RCEP and the CPTPP as well as how to overcome the newly emerging protectionism caused by the new US trade policy and Brexit. Finally, it also analyzes the roles and strategies of China, Japan, and Korea to protect their regional and global economic interests overcoming protectionist movement in the global trade environment individually and collectively.

Keywords Mega FTA · Protectionism · Economic growth · FTA strategy · Brexit

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1 Introduction

Most economists agree that global trade has contributed to a rapid economic growth in the world since World War II. However, the growth of the trade volume started to slow down in the global economy particularly after the global financial crisis in 2008. As a result, the growth in the world trade volume in goods and services reached only 1.9% although its forecast was 2.8% based on the statistics in World Trade Organization (WTO) in 2016. The WTO forecasted that the world trade volume could grow 2.4% in 2017, while International Monetary Fund (IMF) projected a trade volume growth of 3.8% in the same year. Regarding the IMF statistics, the global GDP growth was projected to rise by 3.4% in 2017 and it rose 3.1% in 2016. It caused deep uncertainty about near term economic and policy developments that increased the forecast risk in 2017. The reason for it was slowdown in emerging markets. Among the emerging markets, however, East Asian countries were expected to return to modest growth in 2017 (WTO 2017; IMF 2017).

The world trade volume in merchandise has tended to grow an average 1.5 times higher than the world GDP growth from 1981 to 2016. During the 1990s, it grew more than twice as high. However, the ratio of trade growth to GDP growth has become more or less equal since the global financial crisis except the years 2010 and 2011. After the global financial crisis, the G20 was formed to overcome the global financial crisis and has fought against trade protectionism. However, in 2016, the trade growth rate was marked lower than the world GDP growth rate, the fourth time since 1981. Therefore, many countries have tried to create bilateral, multilateral, regional, and mega FTAs since the 2000s in order to boost their trade volumes and economic growths. This new approach worked properly until the global financial crisis but started to show its limitation after the crisis (WTO 2017).

In 2016, there were 228 free trade agreements (FTAs), and among them 147 FTAs were signed and in effect in the Asia and Pacific region. 68 FTAs are still on negotiation, 5 FTAs are signed but not yet in effect, and 3 FTAs are discontinued. All FTAs are either bilateral or multilateral. Singapore is the leading country with 33 FTAs, and India follows with 28 FTAs. Three major East Asian countries, South Korea with 25 FTAs, Japan with 24 FTAs and China with 23 FTAs play also significant roles in terms of FTA due to their national economic sizes in the region (<https://aric.adb.org/fta-all>, accessed on 15 April 2019).

In addition to bilateral and multilateral FTAs, the Asia Pacific region has become the common ground for mega FTAs that are on the process to build the Regional Comprehensive Economic Partnership (RCEP) led by ASEAN officially, but practically by China and Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) led by Japan. China has negotiated RCEP with 10 ASEAN member nations and six nations with which ASEAN has existing trade agreements. The ambition of the RCEP is to promote regional economic integration in East Asia. Among 16 nations in the RCEP, seven nations participate in the CPTPP as well. The CPTPP aims to rebalance the Japanese political and economic interests against Chinese emerging in the region as a part of global strategies.

The RCEP was expected to be completed by the end of 2016 but is still in process. It targets to be completed in 2019, and China pushes hard to complete it because it has already announced to protect the free trade mechanism based on globalization in the World Economic Forum in 2017, while the TPP faced turbulence after the Trump government announced its pull-out from the TPP in January 2017, although 12 member nations had agreed with the TPP in Oct. 2016. As a result, the future of mega FTAs in the Asia Pacific region has become unforeseeable particularly in the TPP that turned to the CPTPP and entered into force on 30 December 2018 (Graceffo 2017; Asian Trade Center 2018).

This paper focuses on mega FTAs such as the RCEP and the CPTPP and how these will develop in the near future. Additionally, it deals with possible impacts on the US withdrawal from the TPP and the post-TPP visions as well as after Brexit. Furthermore, it also analyzes the implications for East Asian economic cooperation. In order to meet the research targets, various methods are used such as a method of critical analysis of literature, an inference method, and a method of statistical analysis.

2 Mega FTAs in the Asia Pacific Region

2.1 *Regional Comprehensive Economic Partnership (RCEP)*

After several years of discussions on the desirability and feasibility of Asian economic cooperation, East Asian countries led by the 10 ASEAN member nations decided to establish a regional economic framework comprehensively that is the Regional Comprehensive Economic Partnership (RCEP). The nations participating in the RCEP negotiations are the 10 ASEAN member nations and six other nations in the region such as Korea, China, Japan, India, Australia, and New Zealand. They began the negotiations in 2013.

East Asia has not established a region-wide FTA due to different opinions among East Asian economies about creating the region-wide FTA. It was a long process to agree to RCEP. Regional economic cooperation in East Asia began to intensify in order to deal with the Asian Financial Crisis in 1997 as the first ASEAN + 3 (Korea, China, and Japan) Summit Meeting was held in 1998. In the summit, Korea proposed to set up the East Asia Vision Group (EAVG) for overcoming economic and financial problems and difficulties collectively in the region. The expert group developed further the idea of East Asia Free Trade Area (EAFTA) in 2002 and proposed ASEAN + 3 economic ministers that the EAFTA needs to negotiate among ASEAN countries first and membership can be open to other East Asian economies. Unfortunately, however, this proposal was not accepted due to the Japanese rejection in 2006. The economic rationale of EAFTA was based on highly developed production networks and supply chains among ASEAN + 3 nations and harmonizing rules of origins

among these countries that could create tangible economic benefits. (Urata 2013; EAFTA 2009; ASEAN Secretariat 2009; Kawai and Wignaraja 2011).

Parallel to the ASEAN + 3 approach, Japan proposed the Comprehensive Economic Partnership in East Asia (CEPEA) at the ASEAN + 6 economic ministers' meeting in 2006, which is an agreement of the region-wide FTA covering ASEAN + 6 member nations. These 16 nations are also the member nations of the East Asia Summit that began in 2005. Japan's economic rationale to set up the CEPEA was that the economic advantage of the CEPEA could be larger than that of the EAFTA because the incorporation of resource-rich Australia and rapidly growing India could generate economic growth for East Asia as a whole. The reason why Japan suggested the CEPEA is that Japan tried to play a role in the leadership for setting up a regional institution because China took the initiative in the EAFTA discussions. By competing with each other between China and Japan to take leadership in the establishment of the region-wide FTA under the EAFTA and the CEPEA, China speeded up the process of regional economic integration in East Asia when Japan decided on participating in the Trans-Pacific Partnership (TPP) in 2011. (Kawai and Wignaraja 2008; Xiao 2015).

The Chinese motivation to establish the region-wide FTA was stronger than any other nations in the region because it observed increasing US influences to form a regional economic framework in the Asia Pacific region under TPP. Under these circumstances, ASEAN proposed the RCEP involving ASEAN and its FTA partners in 2011 because it did not want to lose ASEAN centrality in East Asian regional integration. ASEAN understood that it could lose its leadership role in the process of economic integration in East Asia if big economic nations in the region and half of ASEAN member nations participate in the negotiation of the TPP. Additionally, ASEAN tried to maintain its centrality in regional economic cooperation. After signing ASEAN + 1 FTA, ASEAN and its regional partners were concerned about the Asian noodle bowl effects that became new obstacles to establish a new regional production network based on free markets in East Asia. Therefore, the RCEP has emerged as a tool to integrate ASEAN + 1 FTA in order to support their common aspirations of the region (Yi 2014).

Furthermore, ASEAN announced the guiding principles for the negotiations of the RCEP that include WTO consistency, transparency, and open accession to ASEAN's FTA partners and others. Based on such principles, four ASEAN member nations—Brunei, Malaysia, Singapore, and Vietnam—participated in the CPTPP as well. As a result, ASEAN + 6 leaders agreed to launch the negotiation of the RCEP in 2012 and to start in 2013. RCEP was scheduled to conclude by the end of 2015 but did not meet the target till 2018. It targets to reassure the world of free trade commitment. (ASEAN Secretariat 2012; Urata 2013; Hearn and Myers 2015; Johnston 2017).

RCEP includes a population of more than 3.5 billion people, with an output of about 23.8 trillion US dollars in 2016. Its GDP accounted for 31.4%, and the total trade volume was 9.58 trillion US dollars in the same year, which is 45% of the world trade volume. It is no doubt that the RCEP could create the world's largest trading bloc, if it is successfully concluded. It could provide major implication for the global economy such as spread of global production networks, reducing inefficiencies of

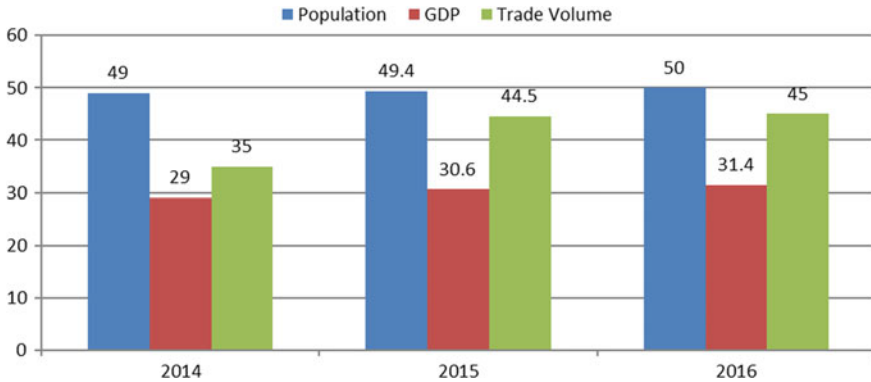


Fig. 1 RCEP's share of world in population, GDP, and trade (%). *Source* WTO, World Trade Statistics (2015, 2016), World Bank (2016), WTO (2018)

multiple Asian FTAs, etc. (Suh 2014; World Bank 2017; World Integrated Trade Solution 2017; WTO 2018, See Fig. 1).

RCEP needs a strong leadership that is absolutely necessary to conclude the negotiations successfully. The leadership must be based on ASEAN centrality because its role is regarded as impartial. In addition, China and Japan might not trust each other due to their rivalry in the region. In fact, RCEP is a tool for rising China in the region. ASEAN, Korea, and Japan are concerned that China will eventually dominate East Asia through a China-led East Asia Economic Community. Therefore, some countries such as Japan, Myanmar, the Philippines, and Vietnam have actively tried to balance between China and the US in order to hedge China's possible threat. Therefore, the RCEP based on ASEAN centrality can play a role in checking the rise of China and balancing the power in the region (Suh 2014).

Since the Trump Administration in the USA started in January 2017, the prospects of the RCEP have changed dramatically because the US government officially announced its withdrawal from the TPP. It will open the door for China to play a more pronounced leadership role in the region. In the Asia Pacific region, China already is a major trade and investment partner for TPP member nations. Canada and Mexico seek to open trade talks with China, while Chile, Australia, New Zealand, and Malaysia try to expand their existing trade and investment deals. Furthermore, seven of 12 TPP member nations participate in the RCEP negotiations. Therefore, China could gain new opportunities to expand trade and investment in other TPP markets after the US withdrawal (Shott 2017).

By contrary, the post-Brexit will not affect the Chinese leadership in RCEP directly and strategically because the two regional economic integrations such as the EU and the RCEP do not compete with each other in the same area. However, the RCEP under the Chinese leadership could expand further in the global trade and gain more possibility to set the trade rules, while the EU after Brexit could be weaker economically than the before Brexit in the world economy and politics (Gonzales 2018).

2.2 Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP)

The USA took over leadership after participating in the TPP negotiations in 2010 and aimed to create US-led trade rules in the Asia Pacific region. The US government realized that global trade and investment are critical to US economic performance and national security. In fact, more than 95% of the world's population and 80% of its purchasing power exist outside the USA. Moreover, the Asia Pacific region is regarded as the most rapid economic growth hub in the world that will create the most consumption growth in the next 20 years. Therefore, it is critical for the US government to complete region-wide trade agreements such as the TPP with allies and other nations in the region in order to strengthen its influential powers in regional economies and politics (Schell and Shirk 2017).

From economic and political points of view, the TPP is a mechanism for isolating China in East Asia. The TPP with the high standard of agreement is a high barrier for China to overcome in the near future. Although the TPP does not intend to exclude China in East Asia, it is not possible for China to accept the content of the TPP. It is inevitable for China to change its policies to sustain economic growth and ensure social stability. However, Chinese leadership understands that a rapid market reform is not a feasible pathway so that China cannot participate in the TPP negotiations at least in the near future (Suh 2014).

The TPP's position in the world economy and trade is very significant as well. Its output of 12 member nations accounted for 28.85 trillion US dollars in 2016 although its population share is slightly higher than 11% in the same year. The TPP's GDP share in the world economy increased from 38% in 2014 to 38.2% in 2015 and declined slightly to 38% in 2016. Total world trade volume in 2014 accounted for 23.4 trillion US dollars and declined to 20.9 trillion US dollars in 2015 that accounts for 11.2% decline. However, the total trade share of the TPP in the world trade increased from 32% in 2014 to 41.5% in 2015. It shows clearly TPP's weight in the world economy and trade. As a result, the TPP became the second largest mega FTA in terms of its GDP and trade volume. (World Bank 2017; World Integrated Trade Solution 2017, See Fig. 2).

The TPP was launched in 2010, and its negotiations were completed in October 2015 that was signed in February 2016. It had grown 12 member nations drawn from the APEC member nations and they have to ratify in their legislatures. Among the member nations, only Japan ratified in the Diet on 9 December 2016 and try to persuade other member nations despite the Trump administration's withdrawal from TPP. The US government formally withdrew the TPP in January 2017. Given its current legal status, the TPP cannot enter into force without US ratification. The US withdrawal of the TPP may hinder its further process ultimately because of the article 30.5 in the TPP agreement. According to the article 30.5, at least six members accounting for 85% of the GDP of the total GDP in TPP member nations must ratify before the agreement enters into force. The share of US GDP accounted for 64.8% of the TPP total GDP in 2015 that is absolutely overwhelmed compared

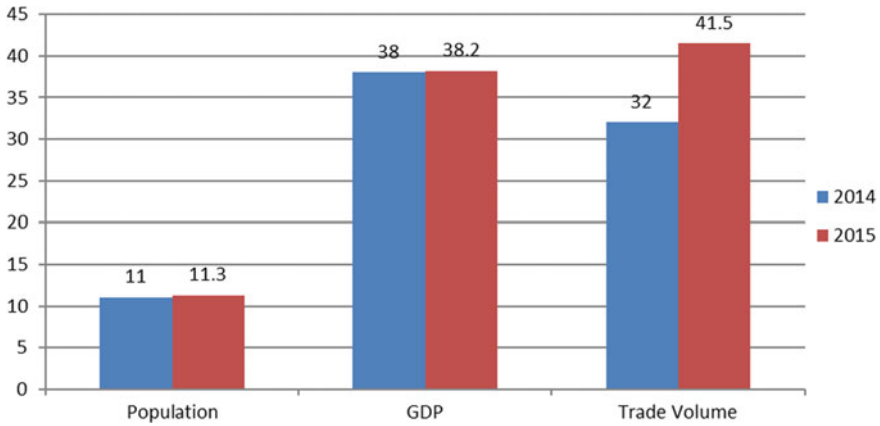


Fig. 2 TPP’s share of world in population, GDP, and trade (%). *Source* WTO, World Trade Statistics (2015, 2016), World Bank (2016)

with any other member nations. Therefore, the US withdrawal means numerically impossible for other member nations to meet the requirement (Nikkei Asian Review 2016; Wilson 2017; <https://ustr.gov/sites/default/files/TPP-Final-Text-Final-Provisions.pdf>, accessed on 24 April 2017, See Fig. 3).

Impacts on the US withdrawal from the TPP have resulted in dramatic changes in trade policies in many nations participating in the TPP. Particularly, Asian countries started to reappraise their regional trade strategies. Many Asian governments regard the TPP without US participation as impossible. As a result, their trade policies gave shifted to ongoing the RCEP negotiations. During the Lima APEC Summit in Nov.

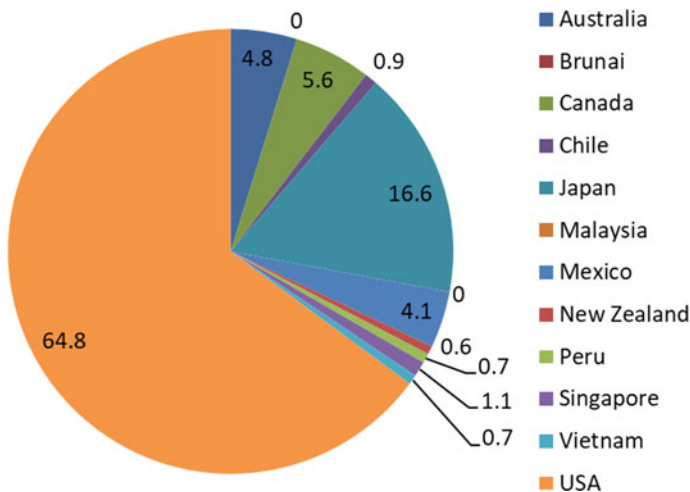


Fig. 3 GDP share of TPP member nations (As of 2015, %). *Source* World Bank (2016)

2016, trade policies and RCEP's potential roles in the region were discussed between member nations. In the summit, China as a driving force behind the RCEP pledged its commitment to economic openness and pushed to complete the RCEP negotiations. Even Japan addressed its priority of trade policy from the TPP to RCEP (Reuters 2016; Wilson 2017).

The USA will set up the three principles in its trade policy under the Trump administration. First, it will focus on bilateral FTA negotiations rather than multilateral FTA negotiations. Replacing the TPP by pursuing bilateral trade deals with the TPP member nations is the signal to change its trade policy. Second, it will consider renegotiating and reforming existing agreements such as NAFTA and the Korea–US FTA. Last, but not least, USA will point out all unfair trade practices that put the US national economy at disadvantages creating trade deficit job loss, hollowing out manufacturing sectors, etc. (Wah 2017).

Due to the firm US standpoint focusing bilateral FTA instead of multilateral FTA and the US withdrawal of the TPP, Japan, under Abe's leadership, tried to move the TPP forward without the US participation. Despite the strong resistance of Malaysia and Vietnam, Japan along with other member nations such as Australia, and New Zealand, etc., was able to create the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) also known as TPP11 in May 2017. The CPTPP incorporates most of the TPP provisions by reference but suspended 22 provisions that the US preferred, but other member nations opposed (<https://www.mfat.govt.nz/>, 2019).

11 member nations reached the agreement in January 2018 to conclude the CPTPP, and it was formally signed on 8 March 2018 in Santiago, Chile. The agreement specifies that its provisions enter into force 60 days after ratification by at least 50% of the signatories or 6 of its 11 member nations. The sixth nation to ratify the TPP was Australia on 31 October 2018. As a result, the TPP came into force for the initial six ratifying countries on 30 December 2018. The CPTPP represented 13.4% of global GDP in 2018 and accounted for approximately USD 13.5 trillion, making the TPP the third largest FTA in the world by GDP after USMC and the EU (Torrey 2018).

3 Analysis on RCEP and TPP (CPTPP)

Two mega FTAs such as RCEP and TPP have been competing with each other in order to set the trade rules in the Asia Pacific region until the USA took the leadership to complete the TPP negotiations in 2015. 12 member nations of the TPP finally concluded the mega FTA in Oct. 2015, and Japan already ratified it in the Diet in December 2016 although the Japanese government knew that then President elected Trump announced the withdrawal of the TPP when his government comes to power in January 2017. It means that all member nations focus on their national interests as their first priority to access to the mega FTAs. Therefore, the USA pulled out its membership in the TPP, while Japan has tried hard to rescue the TPP without the USA. As a result, the TPP turned to the CPTPP without the US participation in 2018.

In the global economy, the year 2015 is a turning point to mark the negative growths in terms of the world GDP and trade compared with the previous year since the global financial crisis in 2008. Therefore, its economic impact on the Asia and Pacific region is also significant. Despite being under such a negative economic environment, the RCEP was able to increase its global GDP share from 29% in 2014 to 30.6% in 2015, while the TPP could only expand its share from 38% to 38.2% marginally in the same period. The reason for this is that the RCEP member nations particularly in developing economies such as China, India, Indonesia, Malaysia, the Philippine, Thailand, Vietnam were vigorous and created high economic growths in 2015, while the TPP member nations could not generate high economic growths except Malaysia, Mexico, and Vietnam in the same year.

Additionally, RCEP increased its global share of trade from 35% in 2014 to 44.5% in 2015, while TPP expanded its share from 32 to 41.5% in the same period. Both were able to increase their trade share by nearly 10% compared with the previous year although the world trade declined 12.1% from 2014 to 2015. In RCEP, Chinese trade volume declined from 4.3 trillion US dollars in 2014 to 3.7 trillion US dollars in 2015, a 14.1% decline. In the TPP, US trade volume decreased from 4.05 trillion US dollars to 3.4 trillion US dollars in the same period, a 15.8% decline. Although two leading nations' trade volumes declined, other developing economies' trade volume in the Philippines and Vietnam increased. At the same time, trade volumes in other regions declined more than the Asia Pacific region. As a result, their trade share increased to 44.5% and 41.5% in 2015, respectively (See Table 1, 2).

In RCEP, three major economies—China, Japan, and Korea—show different patterns of trade trends from 2013 to 2015. First, Chinese import volumes increased from 1.79 trillion US dollars in 2013 to 1.81 trillion US dollars in 2014 and declined heavily to 1.32 trillion US dollars in 2015. However, its export volume increased continuously from 2.15 trillion US dollars in 2013 to 2.24 trillion US dollars in 2014 and 2.37 trillion US dollars in 2015. This trend is closely related to the new Chinese industry policy focused on a domestic consumption driven growth strategy in the 12th Five Year Plan (2011–2015). By implementing the strategy, China created a historical high-trade surplus with 359 billion US dollars in 2013, 435 billion US dollars in 2014, and 1.05 trillion US dollars in 2015.

Second, Japanese import volumes increased from 785 billion US dollars in 2013 to 799 billion US dollars in 2014, but declined to 626 billion US dollars in 2015. Its export volumes increased slightly from 695 billion US dollars in 2013 to 699 billion US dollars in 2014, but declined heavily to 625 billion US dollars in 2015. During this period, Japan made trade deficits continuously. Lastly, the Korean trade pattern looks different compared with the other two major economies. Korean import volumes decreased continuously from 535 billion US dollars in 2013 to 524 billion US dollars in 2014 and 437 billion US dollars in 2015. Its export volumes declined also from 618 billion US dollars in 2013 to 613 billion US dollars and 527 billion US dollars in 2015. However, Korea made a large amount of trade surplus during the period as the Chinese case (See Table 1).

In the TPP, two major economies such as USA and Japan have clearly the same pattern of trade trend. US import volumes increased from 2.29 trillion US dollars in

Table 1 Trend of trade in RCEP member nations (100 Million US Dollars)

Nations	2013		2014		2015	
	Import	Export	Import	Export	Import	Export
China	17,896	21,486	18,087	22,438	13,238	23,722
Brunei	49	118	37	111	32	64
Cambodia	95	65	107	75	107	85
India	4,817	3,192	4,724	3,284	3,907	2,644
Indonesia	1,763	1,821	1,683	1,753	1,782	1,760
Japan	7,846	6,949	7,990	6,992	6,256	6,249
Korea	5,354	6,182	5,241	6,130	4,365	5,269
Laos	N.A	N.A	N.A	N.A	N.A	N.A
Malaysia	1,717	2,023	1,729	2,075	1,762	2,002
Myanmar ^a	39	73	39	73	42	76
New Zealand	387	397	410	420	365	344
Philippine	622	445	672	498	702	586
Singapore	3,617	4,374	3,582	4,378	2,967	3,466
Thailand	2,274	2,275	2,094	2,267	2,020	2,109
Vietnam	1,233	1,320	1,301	1,502	1,658	1,620
Australia	2,497	2,542	2,403	2,407	2,001	1,878

Source World Integrated Trade Solution (2017), Note ^aStatistics in 2010

Table 2 Trend of trade in TPP member nations (100 Million US Dollars)

Nations	2013		2014		2015	
	Import	Export	Import	Export	Import	Export
USA	22,943	15,920	23,855	16,333	23,068	15,039
Australia	2,497	2,542	2,403	2,407	2,001	1,878
Brunei	49	118	37	111	32	64
Canada	4,727	4,664	4,739	4,783	4,192	4,088
Chile	747	764	686	750	630	634
Japan	7,846	6,949	7,990	6,992	6,256	6,249
Malaysia	1,717	2,023	1,729	2,075	1,762	2,002
Mexico	3,816	3,807	4,004	3,977	3,952	3,806
New Zealand	387	397	410	420	365	344
Peru	417	429	407	395	301	332
Singapore	3,617	4,374	3,582	4,378	2,967	3,466
Vietnam	1,233	1,320	1,381	1,502	1,658	1,620

Source World Integrated Trade Solution (2017), Note *Statistics in 2010

2013 to 2.39 trillion US dollars in 2014 but declined to 2.31 trillion US dollars in 2015. Its export volumes increased from 1.59 trillion US dollars to 1.63 trillion US dollars but dropped to 1.50 trillion US dollars heavily. As a result, USA made heavy trade deficits in a row that is the same in the Japanese trade pattern (See Table 2).

It indicates that the RCEP may have a higher potential than the TPP to grow further in the future because its most member nations particularly China, India, and ASEAN countries can create high economic growth based on their trade volume increase. Although four ASEAN member nations such as Brunei, Malaysia, Singapore, Vietnam, their roles to contribute to a massive expansion for trade growth in the TPP must be limited. Therefore, roles of these four ASEAN member nations can be intensified in the RCEP along with other rapidly developing nations such as China, India, Indonesia, the Philippine, Thailand, etc. rather than in the TPP as a whole. Such a trend will be even worse in the CPTPP without the US participation because the total economic size of the CPTPP is shrunken to only one-third of the TPP. It is the reason why Malaysia and Vietnam were heavily against participating in CPTPP despite Abe's attempts at persuasion in 2017. Finally, both member nations agreed to participate in the CPTPP in March 2018 (Hoang and Hoan 2019).

4 Implications for East Asian Economic Cooperation with or Without Brexit

Economic benefits for RCEP and the TPP to the Asia Pacific region have already been studied by a computable general equilibrium (CGE) model. Given the analysis of the CGE model, the RCEP generates a total increase of 644 billion US dollars that accounts for 2% of Asian GDP by 2025 based on its GDP in 2007, while the TPP creates 223 billion US dollars in the same year (Petri and Plummer 2014).

Additionally, the two mega FTAs could reduce the noodle bowl effect of overlapping bilateral FTAs in the region that hinders member nations from increasing trade volumes and strengthening their trade interdependence and regional economic integration. In fact, the noodle bowl effect has caused high costs to utilize preferential concessions for the private sector because the private sector must pay attention to different rules and regulations. Accordingly, RCEP and the TPP can solve the negative effects and achieve a complete set of free trade principles (Park 2016).

Trade dependency in the Asia Pacific region has increased substantially since the year 2000. Most of the East Asian economies have become more dependent on the RCEP than the TPP. Even Australia and New Zealand show their higher trade dependency on RCEP than the TPP. However, Chinese trade dependency on the RCEP was 14.96% in 2002 and decreased to 14.39% in 2012, while its trade dependency on the TPP accounted for 17.77% and declined to 15.78% in the same period. Chinese trade dependency on ASEAN + 3 also declined from 14 to 11.98% in the same period. It does not mean that Chinese economy was more linked to the TPP than the RCEP, but it was rather more globalized during the same period.

However, the US trade dependency on ASEAN + 3, the RCEP, and the TPP increased in the same period. Its trade dependency on ASEAN + 3 increased from 5 to 6.52%, while its trade dependency on the RCEP accounted for 4.96% in 2002 that increased to 7.17% in 2012. Its trade dependency on the TPP also increased from 7.76 to 8.87% in the same period. It means that the Chinese economy has been less dependent in the regional economic system and become more globalized, while the US economy has become more integrated in the Asia Pacific economic system although its shares are much lower than that of the Chinese (See Table 3).

The US withdrawal of the TPP is a strategic turning point in the open economic order. In fact, the TPP cannot continue without the US participation. Therefore, RCEP can be the only one mega FTA in the region that can solve most of the negative problems for many bilateral FTAs although Japan created the CPTPP that cannot compete with the RCEP in terms of the economic size. As a result, RCEP is now the most significant initiative on the global trade scene in this regard. Unfortunately, RCEP agreed to be completed without India in November 2019 and is expected to sign on in 2020 (Johnson 2019).

East Asian economies are the most dynamic in the world economy and integrated to a high extent although there is no virtual legal framework like the EU and USMCA except ASEAN. Thus, RCEP provides several implications for East Asian economic

Table 3 Trade interdependency ratio in mega FTAs member nations (2002–2012, %)

	ASEAN + 3		RCEP		TPP	
	2002	2012	2002	2012	2002	2012
Brunci	61,57	74,99	68,75	91,99	54,97	62,35
Cambodia	25,19	48,11	25,68	49,37	33,63	38,64
Indonesia	22,16	25,83	25,55	29,04	22,98	19,08
Laos*		84,5		85,7		
Malaysia	85,25	77,84	91,79	87,49	89,13	55,63
Myanmar*		80,8		90,5		
Philippines	39,89	24,98	42,09	29,34	52,4	20,1
Singapore	123,14	131,28	133,95	148,22	124,18	83,09
Thailand	48,62	67,69	52,35	74,67	52,61	51,05
Veit Nam	48,94	80,8	54,4	86,89	37,87	48,44
China	14	11,98	14,96	14,39	17,77	15,78
Japan	6	11,68	7,1	13,31	6,94	7,88
Korea	20	36,75	21,72	41,16	22,3	28,33
Australia	15	19,28	17,1	21,27	15,07	11,5
India	4	9,71	4,05	10,6	5,17	8,22
New Zealand	13	17,11	22,52	25,39	23,78	19,18
USA	5	6,52	4,96	7,17	7,76	8,87

Source Adopted by NEAT Working Group based on UN Comtrade and WDI Database, 2014

cooperation as follows; First, East Asian economies need to establish a solid platform to intensify the regional economic integration for their further economic growth by forming a region-wide FTA. Second, the RCEP can contribute to liberalize trade and investment in the region. Still several nations such as China, India, Indonesia, and many of the developing countries in RCEP have barriers to trade and investment. Easy liberalization could create large economic gains not only for developing countries, but also for developed countries in RCEP. Last, but not least, RCEP is a pathway to create a Free Trade Area of Asia and the Pacific (FTAAP) that pushes for opening market and deepening reforms to strengthen economic integration not only for member nations, but also for Europe and the rest of the world (Armstrong and King 2017; Basu Dasu 2017).

So far, Brexit has been delayed since March 2019. It is still unclear to predict whether Brexit can be realized or not. However, the UK government is keen to participate in the CPTPP if Brexit is realized, but has not expressed willingness to participate in RCEP. If the UK participates in the CPTPP, it becomes a real cross-over, connecting Asia, Europe, and Oceania although there are several barriers such as logistics, regulations, etc. Despite this fact, the two mega FTAs can play important roles in strengthening Asian economic integration and cooperation representing free trade in the global economy regardless of Brexit or no Brexit.

5 Conclusion Remarks

Trade and investment have contributed to global economic growth substantially in the last five decades. During the period, the growth rate of trade has been doubled the economic growth rate. However, the global financial crisis in 2008 caused a severe decline of trade and marked negative economic growth. Since the global financial crisis, the world economy has started to recover by strengthening trade growth. Unfortunately, however, the global trade growth rate started to be lower than the global economic growth rate in 2012. Finally, the global trade growth rate declined in 2015 compared with the previous year. This trend has continued since Brexit was decided in 2016 and the Trump government came into power in 2017.

Despite slowing down of the trade growth, many nations prefer to choose regional bilateral FTAs instead of multilateral FTAs in order to boost their economic growth. This trend spread out in the Asia Pacific region, and nations in the region have continuously developed to negotiate plurilateral FTA such as China, Japan, Korea FTA, and mega FTAs such as RCEP and TPP. Mega FTAs are not only for economic cooperation but also for political and security cooperation in the Asia Pacific region. Therefore, these FTAs compete with each other by setting trade rules although both are declared open to any member nations in the region. Therefore, participating nations in mega FTAs are keen to calculate their national interests that must be maximized by choosing proper mega FTAs. In this sense, RCEP focuses mainly on East Asian economic interests in particular, while the TPP seeks economic interests in

the Asia Pacific region as a whole although all nations in the region do not participate in the agreements.

RCEP completed its negotiation in November 2019 and targets to sign in 2020, while the TPP was already completed in 2015. However, the US withdrawal from the TPP in Jan. 2017 changed the situation of mega FTAs completely. As a result, the TPP is not expected to be put in force without the US participation because the US economic share among the TPP member nations accounted for nearly 65% in 2015 and turned to the CPTPP in 2018 with a much smaller size. Therefore, the position of RCEP is overwhelming at present in the region.

Many East Asian countries need to participate in the RCEP in order to solve the noodle bowl effect because their regional bilateral FTAs are overlapped. Additionally, many developing nations in the region need to liberalize their trade and investment in RCEP in order to develop their national economies further. Moreover, member nations have to utilize RCEP as a platform to intensify the regional economic integration that creates the regional economic system interdependent. The CPTPP also provides such opportunity to the member nations. However, it is rather limited compared with RCEP although the UK can participate in the CPTPP after Brexit.

By creating the regional economic bloc representing East Asian economic interests, RCEP can develop further to create the region-wide FTA that is the Free Trade Agreement in Asia Pacific (FTAAP) pursuing open markets, protecting the global free trade system and generating further global economic growth. Therefore, the RCEP can play roles in a close regional economic integration in East Asian countries that must be a pathway to set the FTAAP not only for the Asia Pacific region but also for other part of economic regions. For it, not only large-sized economies such as China, Japan, India, and Korea but also small-sized economies such as Malaysia, Thailand, and Vietnam must play their roles as member nations actively in the RCEP.

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Chapter 4

Recovery of the Sovereignty and Regional Integration in EU and Asia After Brexit



Hitomi Kimura

Abstract The chapter focuses on the recovery of sovereignty and regional integration in the EU and Asia after Brexit. Sovereignty has been one of the key issues to determine the relationship between the UK and EU from the time of joining the EU, as well of leaving the EU. Brexit showed that is it necessary to choose either from national sovereignty or democracy to proceed with economic integration. In addition, the UK parliamentary sovereignty, characterized by the adoption of the European Union (Withdrawal) Act 2018, which repeals supremacy and direct effect of the EU law and get out of the jurisdiction of the ECJ, the rejection of the Withdrawal Agreement with the EU, meaningful and indicative vote, resolution to strengthen its power to take back the control to stop no deal, and the prorogation, adds a unique flavor to Brexit. The irony is that after triggering the first-ever Brexit, people realized the real benefits from an integrated Europe as well as possible risks and threats including the divide of the United Kingdom of Great Britain and Northern Ireland, instead of recovering full sovereignty from the EU. The political uncertainty of the domestic parliament in Europe could trigger the EU reform in the direction of having to admit further substantive sovereignty of member states, reflecting Majone's analysis that EU's integration might have gone too far. The EU reform proposal of promoting multispeed approach or differentiated integration by strengthening the social aspect to cope with disparity among the people and the society, which has led to the rise of nationalism or populism and Eurosceptic perspective, leads to recovery of sovereignty to members states, but it should also be adjusted with Macron's proposal to aim for strong EU. The Brexit, so far, has not given a fundamental impact or change to the current status quo of the regional integration in Asia, but rather, Asia is looking at how the EU could reconstruct and rebuild its integration especially in the context of sovereignty in the regional integration. Asia most likely continues to give priority to sovereignty of member states, but at the same time, Asian regional organizations are gradually moving closer to the supranational EU, by respecting and strengthening the rule of law to accelerate regional economic integration through the state sovereignty-based Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or the Regional Comprehensive Economic Partnership (RCEP). Sovereignty in the

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ongoing regional integration may differ according to its political, economic, social, historical and cultural factors, but continues as fundamental and crucial issue both in EU and Asia after Brexit.

1 Introduction

Brexit posed the fundamental question about sovereignty in the context of regional economic integration under the EU.¹ At the time of establishing the European Community, the UK was suspicious about limiting sovereignty and supported the European Free Trade Association (EFTA), which does not limit sovereignty. However, without any concrete result of establishing the EFTA, its member states including the UK have joined the European Economic Community (EEC).² After Brexit, UK tries to conclude Free Trade Agreement (FTA) with the EU³ and other countries. The government networks outside the EU frameworks also did not work for the UK to remain in the EU. Wasn't it possible for the UK to pursue both economic integration and sovereignty while maintaining the membership in the EU?

As Majone pointed out, has the EU's integration gone too far? If so, what kind of economic cooperation should be pursued in the era of neoliberalism or populism? Why was a supranational approach pursued only by the EU, Mercosur or the Community of Latin American and Caribbean States, while the other economic integrations such as the North American Free Trade Agreement (NAFTA) and the Dominican Republic-Central America FTA (CAFTA-DR) promoted government networks? Under such economic integration, to what extent is national sovereignty limited?

The EU has been pursued as a model for regional integration in Asia for a long time such as by the Association of Southeast Asian Nations (ASEAN)⁴ and the Asia-Pacific Economic Cooperation (APEC),⁵ which pursues political and economic integration, compared to market-driven regionalization such as NAFTA.⁶ However, Asia has chosen to respect the sovereignty of member states from the very beginning, setting aside the legal integration. Was Asia more prescient in this respect? Could the Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP) or the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) be an alternative to the supranational EU and be an appropriate model in Asia? Does the recent phenomenon of neoliberalism or populism affect the economic integration in Asia? Are government network frameworks still effective in Asia? What types of economic government networks are appropriate in Asia? This chapter discusses these issues and questions.

¹Gowland (2017); Rose (2016).

²Majone (2014); Shoji (2016); Nakamura (2016).

³Coles (2016).

⁴European Commission, The EU and ASEAN: A Partnership with a Strategic Purpose, JOIN (2015).

⁵Langhammer (1999); Garnaut (2000); Ravenhill (2001).

⁶Gilpin (1997).

2 UK's Experience on Recovery of Sovereignty from the EU

As the *Costa v. ENEL*⁷ case shows, sovereignty of the EU member state is limited as far as it is transferred to the EU.⁸ Integration has been defined as “a process for the creation of political communities” within which “states cease to be wholly sovereign”.⁹ However, the nature of sovereignty of the member state to be devolved or transferred to the EU is still unclear even after the Lisbon Treaty. One of the causes of Brexit is the strengthened power of the European Parliament over that of national parliaments by expanding the scope of the Ordinary Legislative Procedure, but at the same time, the Lisbon Treaty clarified the importance of respecting the national identity.¹⁰

Since joining the EU and as the integration of the EU progresses, the UK has suffered from the national sovereignty and supremacy of the EU law.¹¹ Sovereignty was also one of the four issues requested by the UK to be tackled by the EU in “A New Settlement for the United Kingdom in a Reformed European Union”. This settlement ends Britain’s obligation to work toward an “ever closer union” which is set out in the Treaty, enhances the role of national parliaments by stopping the unfavorable legislative proposals and fully implement the principle of subsidiarity.¹² In response, A New Settlement for the United Kingdom within the European Union in 2016 recognizes that the UK is not committed to further political integration into the EU, in light of its specific situation under the Treaties, and ensures appropriate arrangement to secure the principle of subsidiarity.¹³ Although this agreement became invalid due to Brexit, it was clear that all these changes were based on the bottom-up *À la kalte* Approach instead of top-down MoneApproach.¹⁴

The principle of subsidiarity is one of the key issues of sovereignty in the EU.¹⁵ MacCormick analyzes the UK’s transition from “sovereign states” to “post-sovereign states” and transformation of sovereignty in the UK and the EU in the context of the

⁷Case 6/64 *Costa v ENEL* [1964].

⁸Prof. Sarooshi categorizes authorization to the international organizations in the following three types; agency relationship, delegation and transfer. Sarooshi (2005).

⁹Haas (1970); A sovereignty state can be said to be one that holds and exercises supreme authority within its territorial jurisdiction. This can be called the Westphalian model (after the Treaty of Westphalia of 1648) of territorially exclusive sovereign states with an internal monopoly of violence (the ability to make and enforce law and order), control over external security, a central administration with tax-raising powers and central institutions with policy-making powers. Caporaso (1996).

¹⁰Suami (2016); Craig (2013).

¹¹Hirokatsu (2015); Geddes (2004); Niblett (2016).

¹²PM letter to President of the European Union Council Donald Tusk (2015); Pulvirenti (2016).

¹³European Council, Decisions of the Heads of States or Government, Meeting within the European Council, Concerning A New Settlement for the United Kingdom within the European Union, European Council Meeting (18 and 19 February 2016) Conclusions, 19 February 2016.

¹⁴Majone, *supra* note 2.; Shoji, *supra* note 2, p. 64.; Priban (2015).

¹⁵Regarding subsidiarity, see below. Endo (2001).

principle of subsidiarity.¹⁶ To monitor the principle of subsidiarity, early warning mechanism was introduced based on the 2004 Constitutional Treaty by requesting national parliaments to send opinions to the EU, if they find the draft EU legislation is not in conformity with the principle of subsidiarity.¹⁷ The Protocol on the role of national parliaments in the EU also clarified the role of national parliaments to monitor the legislation process of the EU. However, these EU' efforts to ensure democracy by strengthening the role of national parliaments¹⁸ were not effective enough for the UK to remain in the EU, but rather prolonged the Brexit process by allowing the swing of national parliament between getting out of and remaining in the EU.

As Prof. Rodrik insists, to proceed with economic integration, is it necessary to choose either from national sovereignty or democracy? Otherwise, economic integration itself should be abandoned to keep both national sovereignty and democracy.¹⁹ Is this theory applied to the UK, which tried to pursue both through the national referendum? In the first place, was the national referendum an appropriate approach to decide Brexit²⁰? The similar political debate between the market access and sovereignty can also be observed in the EU-Switzerland Institutional Framework Agreement negotiation in 2019.²¹ The transfer of sovereignty from the national to the supranational EU was not coincidental with that of democracy.²²

In 2015, the UK High Court of Justice judged that the Parliament's approval is necessary to give notice under Article 50 of the Treaty on European Union, in respect of the constitution.²³ The Supreme Court of the UK also confirmed this judgment.²⁴ After triggering Brexit, to annul the European Communities Act of

¹⁶MacCormick (1999); Martin Loughlin, Why Sovereignty? in Rawlings et al. (eds.), *supra* note 10, p.45.

¹⁷Jančić (2015); Hettne (2014); Kiiver (2012); Cooper (2006); Cygan (2006).

¹⁸Shoji, *supra* note 2, pp. 120-121.

¹⁹Rodrik (2000).

²⁰Cameron (2019); Jones (2018).

²¹European Parliament (2018); American Swiss Foundation (2019).

²²Baker and Schnapper (2015).

²³R (Miller) -v- Secretary of State for Exiting the European Union (2016), In the High Court of Justice, Queen's Bench Division, Divisional Court, Before: Lord Chief Justice of England and Wales, The Master of the Rolls, Lord Justice Sales, Between: The Queen on the application of (1) Gina Miller & (2) Deir Tozetti Dos Santos – Claimants -v- The Secretary of State for Exiting the European Union- Defendant, at <https://www.judiciary.gov.uk/wp-content/uploads/2016/11/r-miller-v-secretary-of-state-for-exiting-eu-amended-20161122.pdf> (as of 10 April 2020).; R (Miller) v. Secretary of State for Existing the European Union, Summary of the judgment of the Divisional Court (2016); University of Cambridge, Brexit: High Court ruling on Article 50 explained (2020).; The Guardian (2016); BBC (2016).

²⁴Judgment, R (on the application of Miller and another) (Respondents) v. Secretary of State for Exiting the European Union (Appellant), Reference by the Attorney General for Northern Ireland-In the matter of an application by Agnew and others for Judicial Review, Reference by the Court of Appeal (Northern Ireland)-In the matter of an application by Raymond McCord for Judicial Review, Judgment given on 24 January 2017, heard on 5,6,7 and 8 December 2016. Hilary Term [2017]UKSC

1972, the UK Parliament adopted the European Union (Withdrawal) Act 2018 (the former Great Repeal Bill), which repeals supremacy and direct effect of the EU law and departure from the jurisdiction of the European Court of Justice (ECJ) upon completion of the negotiations. UK Parliament's rejection of the former Prime Minister May's Withdrawal Agreement with the EU, discussion on the "meaningful vote" and implementation of the legally non-binding indicative vote,²⁵ adoption of the resolution to strengthen its power to take back the control of Brexit and stop no-deal Brexit and the prorogation assuming the Eurosceptic new Prime Minister Boris Johnson, reminds us that the UK is a state of parliamentary sovereignty.²⁶ The principle of parliamentary sovereignty was also supported not only by the former Speaker of the House of Commons, John Bercaw, but also by the UK Supreme Court, which judged that suspending parliament was unlawful.²⁷ Backstop to avoid a hard border between the Northern Ireland and Ireland has been the most sensitive and burning issue in the Brexit negotiation, since it touches directly upon the territorial sovereignty of the UK, as well as of the Ireland which remains in the EU.²⁸

It seems that UK sovereignty does not benefit from an integrated Europe, but is it really so? The recent series of extension of Brexit, the first time by 12 April or 22 May 2019 before the European Parliament election 2019, the second time by 31 October 2019 by Theresa May, and the third time by 31 January 2020 as Prime Minister Boris Johnson's compromise reflecting strong opposition by the Parliament and people in the UK, implies that they now realize the real benefits from an integrated Europe, which has not been recognized for a long time because they are so obvious and natural. As the Brexit, especially the no-deal or the hard Brexit without any agreement, becomes real,²⁹ people realize the possible risks and even threats of what they might lose instead of recovering full sovereignty from the EU. The First Minister of Scotland, Nicola Sturgeon, declared to seek the second referendum by 2021 to be independent of the UK and remain in the EU. Brexit may divide the United Kingdom of Great Britain and Northern Ireland, consisting of England, Wales, Scotland, and Northern Ireland.

However, it is also true that even so, there is almost an equivalent or half of the population who would seek Brexit in the name of recovering sovereignty from the EU. The rising nationalistic opinions and voices were picked up by the Brexit Party launched toward the 2019 European Parliament Election by the former head of the extreme populism UK Independence Party (UKIP), Nigel Farage. Sovereignty has been one of the key issues dividing the UK and EU from the very beginning of joining the EU, as well as leaving the EU.

5, On appeals from: [2016]EWHC 2768 (*Admin*) and [2016]NIQB 88, at <https://www.supremecourt.uk/cases/docs/uksc-2016-0196-judgment.pdf> (as of 10 April 2020).; The Supreme Court, Article 50 'Brexit' Appeal (2016). .

²⁵Miller (2019). House of Commons Library (2019).; Jack et al. (2019).

²⁶Kimura (2018a, b).

²⁷Graeme Cowie (2019).

²⁸Grote (2012); Humphreys (2018).

²⁹Department for Exiting the European Union (2018).; UK Parliament (2019).

3 Supranational Approach or Intergovernmental Cooperation?

The relation between national sovereignty and regional integration has been analyzed from various points; (i) To what extent deviation from joint action is allowed; (ii) How is regional integration law incorporated into national laws; (iii) How does national government involvement in dispute settlement?³⁰ This section focuses on the dichotomy between supranational approach and government cooperation.

Confrontation between the supranational approach and government networks has been one of the fundamental issues of integration since the establishment of the EU, as well as one of the factors of the past several crises in Europe. Supranational approach is based on the *acquis communautaire* by strengthening the power of European Parliament or the European Commission, while government networks are based on the respect for the European Council. Even among the core member states, the preference differs; UK, France and some Northern European countries prefer government cooperation, while Germany prefers supranational approach. In the first place, the first pillar of the EU (European Community: EC) was based on supranational approach, while the second pillar (Common Foreign and Security Policy: CFSP) and the third pillar (Police and Judicial Co-operation in Criminal Matters: PJCCM) were based on government cooperation before the amendment by the Lisbon Treaty.³¹ Certain problems could only be dealt with through intergovernmental cooperation.³²

The Lisbon Treaty revitalized the governmental networks,³³ in which intergovernmental cooperation or external governance is effective.³⁴ However, opt-out clause³⁵

³⁰Matsumoto (2009).

³¹Kawashima (2014); Suami, *supra* note 10, pp.98-98.; Schildt (2009); Miyamoto (2002); Memorandum on the Organization of a System of Federal European Union (2020).; British Prime Minister Tony Blair's speech to the Polish Stock Exchange in Warsaw (2000); Gerbet (2016); Ofuji (2017); Tsuruoka (2011).

³²Schrfp (1998); Fabbrini (2018).

³³Dougan (2008).

³⁴Lavenex and Schimmelfennig (2009); Hofmann (2011); Stetter (2013).

³⁵Article 50 of the Treaty on European Union (TEU) defines that "1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements. 2. A Member State which decides to withdraw shall notify the European Council of its intention. 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. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament. 3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period. 4. For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member State shall not participate in the discussions of the European Council or Council or in decisions concerning it. A qualified majority shall be defined in accordance with Article 238(3)(b) of the Treaty on the

added to the Lisbon Treaty threatens the integrity of the EU itself and this concern became real by the Brexit. Intergovernmentalism, supranationalism, and constructivism apply to different cases of differentiation, but the choice of opt-out reflecting one single national interest is out of the scope of integration theory.³⁶ In response to Brexit, is it necessary to incorporate opt-out clause based on national interest in the integration theory in the new era of post-Brexit?

This dichotomy has transformed into the discussion focused more on functional aspect of the EU, as Tony Blair mentioned in his speech that “Europe is a Europe of free, independent sovereign nations who choose to pool that sovereignty in pursuit of their own interests and the common good, achieving more together than we can achieve alone. The EU will remain a unique combination of the intergovernmental and the supranational.” Discussion on supranational approach or intergovernmental cooperation goes back to the issue of the principle of subsidiarity.³⁷

If the agreement under the Treaty was difficult, the government networks outside the EU frameworks were sought or some of them were incorporated into the Treaty based on variable geometry or multi-speed integration.³⁸ However, the economic government networks outside the EU frameworks such as the European Stability Mechanism (ESM), the Fiscal Compact or the Euro Plus Pact (Stronger Economic Policy Coordination for Competitiveness and Convergence) also did not work for the UK to remain in the EU.

More fundamentally, the regional economic institutions such as EU do not necessarily prevent the populism or nationalism, but rather could erode the multilateralism and promote protectionism against counties outside of the system.³⁹ The recent EU-wide evolution of populism or nationalism threatens the further integration of Europe. In this sense, EU’s integration might have gone too far as Majone pointed out. If so, what kind of economic cooperation should be pursued in the era of neoliberalism or populism?

The similar attitude of the UK has also been seen in other member states as they do not want to lose their control and face integration fatigue, in spite of increasing the necessity to solve various problems at the EU level.⁴⁰ The repeated compromise and concession from the EU side respecting the decision by the UK showed the greatest consideration of state sovereignty of member states. The long-standing Brexit process also delayed the discussion of future EU reform, facing the urgent necessity to prepare for “no deal”,⁴¹ which may have significantly negative impact to the European economy as well as politics. Macron’s proposal on future EU reform

Functioning of the European Union. 5. If a State which has withdrawn from the Union asks to rejoin, its request shall be subject to the procedure referred to in Article 49.”.

³⁶ Adler-Nissen (2014).

³⁷ Hachiya (2002).

³⁸ Tanaka (2017).

³⁹ Mansfield and Milner (2009).

⁴⁰ Zuleeg (2015).

⁴¹ European Commission (2018a); EUROPEAN COMMISSION (2018b); EUROPEAN COMMISSION (2018c); European Commission (2018d).

includes a common budget for the euro or strengthening of defense, on which he warns as “on the edge of a precipice⁴²”. Tighter border control through the amendment of the Schengen Agreement, or the establishment of a European agency for the protection of democracies⁴³ against the rise of nationalism,⁴⁴ all deeply relate to national sovereignty of member states, who seem to seek a stronger EU.

European Parliament election 2019 finally resulted in the sluggish increase of the concerned Euroscepticism, which would not lead to major changes to EU policy on Brexit. In the UK, pro-EU campaigner and pro-Brexit balanced again, with the increased seats by the Brexit Party, the Liberal Democrats and the Green Party and decreased seats by the Labour Party and the ruling Conservative and Unionist Party. However, the political uncertainty and instability increase in major member states, where single majority cannot be achieved in their domestic parliaments like the hung parliament in the UK. This political uncertainty of domestic parliament could trigger the EU reform in the direction of having to admit further substantive sovereignty of member states.

The EU reform proposal of promoting a multispeed approach or differentiated integration by strengthening the social aspect to cope with disparity among people, which has led to the rise of nationalism or populism and Eurosceptic perspective, leads to the recovery of sovereignty to member states.⁴⁵ The new President-elect of the European Commission, Ursula Gertrud von der Leyen’s “My Agenda for Europe⁴⁶” includes “An economy that works for people.” If this agenda could achieve the reform of Euro or accept various currencies, it would respect and strengthen sovereignty of member states. These ideas of reforming EU might be contradictory to Macron’s proposal on further integration by pursuing strong EU, so the future figure of the EU lies in between. In other words, the issue is how differentiated integration maintains EU cohesion and coherence as well as the legitimacy and transparency of EU decisions.⁴⁷

⁴²*The Economist*, 9th November 2019, p.9.

⁴³Élysée (2019); Deutsche Welle, 4 March 2019.

⁴⁴Regarding the crisis of democracy even before the Brexit in the EU and members states, see below. Baker and Schnapper (2015).

⁴⁵European Parliament, Future of Europe debates III (2019); Fukuda (2019); Fabbrini and Schmidt (2019).

⁴⁶6 policy targets include; A European Green Deal; An economy that works for people; A Europe fit for the digital age; Protecting our European way of life; A stronger Europe in the world; A new push for European democracy. Ursula von der Leyen, A Union that strives for more: My agenda for Europe, POLITICAL GUIDELINES FOR THE NEXT EUROPEAN COMMISSION 2019-2024, at https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf (as of 10 April 2020).

⁴⁷Fabbrini and Schmidt, *supra* note 45, p.173.

4 Implications for Asia

The EU has been pursued as a model for regional integration in Asia for a long time such as by ASEAN. ASEAN and the EU have also developed their relationship in various fields including the Asia-Europe Meeting (ASEM).⁴⁸ Asia has also benefited from the integration of EU.⁴⁹ On the other hand, many Asian scholars insist that the EU cannot be a model for East Asian regional integration.⁵⁰ ASEAN has chosen to respect the sovereignty of member states from the very beginning. Neither supranational organization nor shared sovereignty in the EU was never on the agenda, although the loss of sovereignty was also feared by the EU and NAFTA.⁵¹ Unlike other regional organizations, the ASEAN does not share a common language, religion or history.⁵² This diverse character of Asia is one of the reasons why sovereignty was not transferred to the ASEAN at the initial moment of its establishment. In general, becoming a member of international organizations does not mean the automatic loss of sovereignty.⁵³

ASEAN was initially established as political association and later developed toward economic integration.⁵⁴ It started with Indonesia, Malaysia, Philippines, Singapore, and Thailand, and enlarged to Brunei (ASEAN6), Vietnam, Laos, Myanmar and Cambodia (ASEAN10), and proposed to establish the ASEAN Economic Community (AEC) and a single market by 2015. Economic integration is clearly the current objective of ASEAN.⁵⁵ As Article 2(2)(n) of the ASEAN Charter mentions the commitment of ASEAN member states to act in accordance with the principle of “adherence to multilateral trade rules and ASEAN’s rule-based regimes for effective implementation of economic commitments and progressive reduction toward elimination of all barriers to regional economic integration,” the rule of law is a major pillar of ASEAN in the pursuit of the AEC.⁵⁶ This is basically in line with the situation where the European integration systems are viable only if the relevant rules are strictly enforced.⁵⁷ Thus, if the member states of ASEAN follow the rule of law, they might change their mindset from the traditional state sovereignty to a rule-based

⁴⁸Cremona et al. (2015); Suami (2018); Tanaka (2016).

⁴⁹Plummer (1994); Daisuke Hiratsuka, Impact of the Single European Market on ASEAN and China, *Ibid*, pp.266-284.

⁵⁰Nakamura (2009).

⁵¹Sutcliffe (2016); Pelkmans (2016); Woon (2016); Dispute resolution mechanism under the NAFTA shows some aspect of transfer of sovereignty can be seen. Nagao (1996).

⁵²Jetin and Mikic (2016); Chaponnière and Lautier (2016); Hwee (2015); Stubbs (2002).

⁵³Suzuki (1986); Based on the idea that interference in the domestic situations of states should not be the immediate responsibility of the Security Council, China and Russia strongly support the principle of national sovereignty and make use of the veto powers to block Security Council Resolutions or agree to intervention under Chap. 7 of the Charter. Elgebeily (2017).

⁵⁴Alker and Puchala argue that the level of economic interaction between nations can serve as a reliable indicator of their degree of political integration. Alker and Puchala (1968).

⁵⁵Laursen (2010).

⁵⁶Inama and Sim (2015).

⁵⁷Tomuschat (2012).

legally binding institutional form.⁵⁸ However, the sovereignty continues to remain basically in the hands of each member state in Asia, unlike in the supranational EU.

This is considered to be one of the reasons behind the recent evolution of Trans-Pacific Partnership (TPP) or the Regional Comprehensive Economic Partnership (RCEP), which is based on state sovereignty. Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)⁵⁹ which entered into force in 2018, includes 11 countries - Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. However, the US withdrew from the TPP negotiation in 2017, since it is also considered it as threat to sovereignty and democracy. Instead of TPP without the USA, RCEP caught international attention. After India's withdrawal from the negotiation in 2019 due to its fear of the negative impact of free trade on its domestic agricultural industry, 15 countries including 10 ASEAN member states, Japan, China, Korea, Australia and New Zealand, tried to agree on RCEP. The purpose of RCEP is to combine individual FTAs, which ASEAN has already concluded with other countries. The recently revealed RCEP clauses include that of dispute settlement, which determines the relation between national sovereignty and regional integration.

The Australia–New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) is one of the most comprehensive bilateral trade agreements in the Asia-Pacific region. Possible lessons for ASEAN include the importance of strong political support at the leadership level, periodic setting by leaders of objectives for the integration process, and the pursuit of wide-ranging economic reform agendas as natural extensions of the domestic reform process.⁶⁰

Some issues can better be handled at the decentralized level. In this respect, APEC based on open regionalism could play a more important role than ASEAN in building regulatory capacity to cope with, for example, the regional environmental issues in the framework of loose government networks.⁶¹ The NAFTA environmental enforcement network plays a strong role in implementing the agenda and complements the role of an international organization⁶² without transferring sovereignty or supranational organization. However, flexibility in the guise of multispeed dynamics differentiated treatment of particular issues and even opt-outs for individual states. Canada, for example, has opted out of NAFTA environmental sanction, preferring instead to use its own domestic measure.⁶³ APEC Environment Committee pursues the NAFTA's Commission for Environmental Cooperation, but so far, the integration

⁵⁸Nakamura (2018).

⁵⁹New Zealand, Foreign Affairs & Trade (2018).

⁶⁰Scollay et al. (2010); Australian Government, Department of Foreign Affairs and Trade, Australia–New Zealand Closer Economic Relations Trade Agreement (2018).

⁶¹Kotzé (2018).; Among Asia, government networks also depend on each sector. Environmental government networks in Asia, for example, defy four main types of networks; (1) transgovernmental regulatory networks; (2) intergovernmental organisation networks; (3) research-oriented networks; and (4) regional networks. Kimura (2017).

⁶²Regarding environmental cooperation under the NAFTA, see. Hoi L. Kong and L. Kinvin Wroth (eds.) (2015).; Torres (1999).

⁶³Alex Warleigh-Lack (2016); Sanchez (2002).

of environment and economy has not been successful.⁶⁴ Instead, under the TPP and RCEP, the recent environmental actions are considered as requisites for boosting the sustainable growth of the economy in the region, rather than as dilemma between economic growth.

5 Conclusion

Sovereignty has been one of the key issues determining the relation between the UK and EU from the time of joining the EU, as well as of leaving the EU. Brexit showed that it is necessary to choose either from national sovereignty or democracy to proceed economic integration. In addition, the UK parliamentary sovereignty, characterized by the adoption of the European Union (Withdrawal) Act 2018, which repeals supremacy and direct effect of EU law and departure from the jurisdiction of the ECJ, the rejection of the Withdrawal Agreement with the EU, meaningful vote and indicative vote, resolution to strengthen its power to take back the control to stop no-deal, and the prorogation, adds a unique flavor to Brexit. The irony is that after triggering Brexit, people realized the real benefits from an integrated Europe, as well as possible risks and threats including the divide of the United Kingdom of Great Britain and Northern Ireland, instead of recovering full sovereignty from the EU. The UK may suffer from the confrontation between the Leave camp and the Remain camp even after Brexit.

The Lisbon Treaty revitalized the governmental networks and weakened supra-national approach, but its opt-out clause threatened the integrity of the EU itself through Brexit. Intergovernmentalism, supranationalism, and constructivism apply to different cases of differentiation, but the choice of opt-out reflecting one single national interest is out of the scope of integration theory. The recent EU-wide rise of populism or nationalism also threatens the further integration of Europe, but the sluggish increase of Euroscepticism in the European Parliament election of 2019 would not lead to major changes to EU policy on Brexit. However, the political uncertainty of domestic parliament could trigger the EU reform in the direction of having to admit further substantive sovereignty of member states, reflecting Majone's analysis that EU's integration might have gone too far. The EU reform proposal of promoting multispeed approach or differentiated integration by strengthening the social aspect to cope with disparity among the people and society, which has led to the rise of nationalism or populism and Eurosceptic perspective, leads to recovery of sovereignty among member states, but it should also be adjusted with Macron's proposal to aim for strong EU. At the same time, differentiated integration should also maintain EU cohesion and coherence as well as the legitimacy and transparency of the EU.

Brexit so far has not given a fundamental impact or change to the current status quo of the regional integration in Asia. Rather, Brexit was a severe body blow to

⁶⁴Dua and Esty (1997).

the EU's image as a successful, supranational regional entity that delivers peace and prosperity to its member states⁶⁵ by allowing further sovereignty of member states. Therefore, Asia is looking at how the EU could reconstruct and rebuild its integration especially in the context of sovereignty in the regional integration. Asia most likely continues to give priority to sovereignty, but at the same time, Asian regional organizations are gradually moving closer to the EU, by respecting and strengthening the rule of law to accelerate regional economic integration. It is natural that the rule of law is a major pillar of the current ASEAN in the pursuit of economic integration through the AEC, considering that the strict enforcement of relevant rules was requisite to the European integration systems. The recent clear sign of respecting the rule of law might change the traditional Asian posture toward state sovereignty. However, the sovereignty continues to remain basically in the hands of each member states in Asia, unlike in the supranational EU. Instead of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which entered into force among 11 countries without the USA in 2018, RCEP caught international attention by combining individual FTAs, which ASEAN has already concluded, but both of which are based on state sovereignty. The further elaboration and clarification of the RCEP clause on dispute settlement are worthwhile to analyze the relationship between national sovereignty and regional integration. While strengthening the rule of law to promote economic integration in Asia, some issues such as environmental problems continue to be better handled at the decentralized level in the framework of loose government networks, such as the APEC, TPP, or RCEP.

The issue of sovereignty is traditional, but at the same time, timely and modern. Sovereignty in the ongoing regional integration may differ according to its political, economic, social, historical, and cultural factors but continues as a fundamental and crucial issue both in EU and Asia after Brexit.

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Chapter 5

Brexit and Trump: Genuine Anti-Globalization Revolution or the Repetition of 1848



Binoy Kampmark and Petar Kurečić

Abstract The year 2016 saw several tumultuous political developments. Brexit, the de facto end of the Trans-Pacific Partnership and the concurrent signing of the CETA, and Trump, with his ‘America First’ counter globalization/immigration agenda seemed to have shaken the mechanisms of the transnational capitalist class. The paradox lies in the fact that ‘globalization losers’ voted for ‘one percent’, usually blamed for the transnational financial capitalism that produces severe inequality. The counter globalization and nationalist processes from states deemed the chief proponents of ‘globalization’ and challenges represented by ‘Bannonism’ and Brexit are therefore considered. While superficially radical, it is questionable whether the inequalities and atomization produced by global capitalism will be redressed by the managers of Brexit or the stewards of the Trump revolution. The ‘post-truth era’ has made actual changes more formidable, suggesting change, even as the order ossifies. By way of contrast and comparison, 1848s Year of Revolutions is suggested.

Keywords Brexit · Trump revolution · Counterrevolution · Globalization · Bannonism

1 Introduction

In 2009, Dani Rodrik noted the ‘remarkable turnaround in the intellectual climate’ among mainstream economists: Today the question is no longer, “Are you for or against globalisation?” The question is: ‘What should the rules of globalisation be?’ As Rodrik points out, the model of liberalization and economic integration of the 1980s and 1990s ‘is unsustainable. If globalisation is to survive, it will need a new intellectual consensus to underpin it. The world economy desperately awaits its new

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Keynes' (Harris and Davidson 2010: 225). Nevertheless, globalization, as understood by politicians, policymakers, academicians, and the public has failed to satisfy its expectations and promises made by its advocates—as Polanyi predicted in *The Great Transformation*, further stating that the failure of globalization to deliver on its promises is driving the rise of nationalism and protectionism across the globe (Pettifor 2017). Contrary to Hayek's assessments, financial globalization has proved that it is market fundamentalism, not the regulatory state, that has led the world into an era of greater authoritarianism—in the USA, Central East Europe, India, and China (Pettifor 2017). The rise in inequality is one of the main drivers of the grievance of the middle class in the West, combined with the moving of productive jobs to countries with lower wages, as well as increased levels of immigration. All these developments have been blamed on processes of globalization.

Nobel prize-winning economists Stiglitz and Krugman, while remaining supporters of expanding trade and transnational integration, have on numerous occasions called for greater financial regulation and attention to global inequalities. Krugman suggests the global slump can be fixed, at least in part, with public works' spending: 'The answer, almost surely, is good old Keynesian fiscal stimulus' (Harris and Davidson 2010: 217).

At first, it would seem preposterous that the administration of G. W. Bush, led by the most right-wing president in living memory, took the unprecedented step of pursuing a form of 'financial socialism' (Taylor et al. 2009), rescuing private finance with public finance (Watson 2010: 245). The Obama administration continued where the previous administration, which is the most to blame for the situation, had already taken off.

However, in 2017, after the results of the good old fiscal stimulus used in coping with the Great Recession have been known, the real question remains: Has anything substantial changed in the regulations of the world's most prominent Western economies and especially their obese financial sectors, which have been the cradles of the crisis, ruining millions of jobs, causing panic on the financial and real-estate markets, making hundreds of thousands of families homeless, and still mostly been able to survive (or even become richer) thanks to tax-payers' money from that same miracle-working Keynesian fiscal stimulus? This state of denial, also known as 'business as usual' as if the Great Recession never happened and there are no prospects that it will happen again: 'The truly remarkable feature of the Great Recession, though, is not its dramatic global scope or the speed with which it has unfolded, but how little constructive reform response it has elicited from the leaders of the source countries for this global economic crisis'. What raises most concerns is the following: 'We are hardly witness to a "New Deal" of some leftist dreams, not even one "right sized" for the shallower depths of the Great Recession' (Mayer 2015).

Vanaik (2013: 210) also warned of the more or less back to "business as usual": 'Indeed, despite the several crises that have peppered the neoliberal era, culminating most recently in the "Great Recession" globally, it is "business as usual". Those calling for an international monetary managerialism of a serious kind and not just for greater and better "regulation of the world financial system" remain a small minority among decision-makers and shapers'.

After Brexit and Trump, a rhetorical question should be posed: ‘Are New Deals of any kind bound to happen, and was “business as usual” (for the financial sectors and elites of the West, after the Great Recession) maybe the key factor that made these developments possible?’ Brexit and Trump can be perceived as reactions of the demos in two significant states, one formerly dominant globally; the other currently hegemonic (albeit being challenged). Both powers were salient promoters of free trade ideologies, open borders, and an unstable international financial system. The only possible positive features of these developments are the ‘shake-ups’ these have caused to the transnational elites of the USA and Europe.

Hence by 2025, six emerging economies—Brazil, China, India, Indonesia, South Korea, and Russia—will collectively account for about one-half of global growth (Yifu Lin and Dailami 2011: 30), the real question for the West, and especially the USA, as a still dominant state, remains—how to keep and try to raise the standard of living, while at the same time cope with increased productivity and lower production expenses of the emerging economies. Trump’s promises of protectionism, i.e. keeping and returning ‘US jobs’ to America, respectively, attempt to address these realities. Although it has one key flaw—in an internationalized economy, which has been promoted from the West, if not by power of ‘peaceful persuasion’ and regulations that favour the developed economies of the West, then by force, there are no guaranteed ‘US jobs’ or ‘UK jobs’ (Lovett 2008). There are only capitalists and the regulations of the states that should limit the potentially hazardous effects of capitalism’s search for profits. It is precisely in that aspect that the elites of the most powerful Western states have ultimately failed.

2 Brexit and Trump: False Setbacks to Neoliberal Geopolitics?

At present we can still witness the continuous success of neoliberalism and neoliberal geopolitics, although its demise has been prognosticated due to the Great Recession, and consequently the revival of Keynesianism in economic policy. Keynesianism has indeed been the last resort of non-Keynesian economic theorists every time market dogmas fail; the state takes the role of stabilizer of the banking sector, and the economy in general. Despite these well known, historical recurrences, the spatial practice of neoliberal geopolitics, at the insistence of its ideologues, prospers: the mantra of ‘free markets’, a minor interventionist role of the state in the economy, free-trade agreements and so forth (Kurecic 2016: 14). With some minor, however, not very functional exceptions, mainly located in Latin America (e.g. Venezuela), neoliberal capitalism still thrives in the majority of the world’s regions, and risks overwhelming those final oases of the functional welfare state (Scandinavia, Germany, Austria, France, and Benelux, i.e. the developed states of continental Europe), with other parts of the world already incorporated. Further deterioration of workers’ rights, especially of the blue-collar middle and low paid workers, the ones who proved

essential in sending Trump to the White House and voted to pull the UK out of the European Union (hereafter: the EU), has to be expected. The masses of white (this is important, due to the role of the immigration in Brexit and Trump campaigns, respectively), primarily working class or retired Britons and Americans and parts of petit-bourgeoisie, respectively, were faced with a choice between two types of oligarchies, one supporting free trade and globalization and against restricting immigration, the other seeking more protectionism and strict restrictions to immigration. In 2016, a certain demographic of white voters, when faced with choice between 'Leave' and 'Remain', Clinton and Trump, respectively, overwhelmingly chose the type of oligarchy that promised to protect their jobs and/or pensions. This near-tragic, if not comic outcome suggests the levels of disappointment with the transnational capitalist oligarchy/class (the TNC), that has ruled them for decades. Instead of choosing the ones that have promised to change the social relations and restrict the power of the oligarchy, they have simply backed the other type of oligarchy.

It is clear, either from the rise of populists and/or voter abstention, that the bourgeois state, invented to serve the interests of the bourgeoisie (at present day, primarily neoliberal capitalists, the TNC, etc.) legitimized through 'democracy' (in most aspects reduced to the fact that a voter can choose between a bigger and a lesser evil every four years while his/her economic freedom is reduced constantly), has been losing its attractiveness. As Rancière (1998: 113) posed: 'Marx's once scandalous thesis that governments are simple business agents for international capital is today an obvious fact on which "liberals" and "socialists" agree'. Such political inertia has also been considered as post-democratic, with citizens disengaged and estranged from political and economic processes that eliminate genuine social and political antagonism. This neutralisation keeps, or at least kept, the liberal democratic edifice unchallenged (Crouch 2004). Historians have already spoken about the similarities with the 1930s Europe and warned that the events from the Great Depression era could be repeated, though other comparisons point to earlier populist phases in the US history. In that context, the implications of Brexit are yet to be seen, though it can be argued that contestation and grounds for being antagonised have been revived. The UK has clearly stated that it wants to pursue free trade (the point is reiterated later in this paper); with the main difference comprised in the fact that now it would make its own free-trade agreements with states and free-trade areas, independently of the EU. The grounds of contestation and challenging the post-democratic state were also revived through Trump's negative views towards free trade and protectionist intentions; some of this had already taken form with the US withdrawal from the Trans-Pacific Partnership (TPP). Its consequences, however, are still not quantifiable. The second key issue that decided the US elections, besides opposition to free trade and offshoring of US jobs, is immigration and undocumented labour. The US economy depends to a large degree on low-paid legal and illegal immigrants, mainly originating from Latin America.

3 Why Brexit and What Kind of Brexit

Brexit is a product of two main factors: the neoliberalisation of the British society, and the rising influx of immigration, both EU and non-EU originated. It is intriguing that the UK was the only current EU member state that did not impose any transitional period for free movement of labour force after the 2004 'Big Bang' EU enlargement, thereby opening its labour market to the workforce from new member states: 'In the second half of the 2000s, net migration to the UK fluctuated between 300–400 thousand per year, reaching a peak of over 400 thousand just before the onset of the 2008 financial crisis' (Gietel-Basten 2016: 674).

The UK, as a liberal market economy which has consistently promoted this pro-market vision of the EU has exposed its citizens more than most other member states to the upheavals this process of marketization has generated (Hopkin 2017: 466). Brexit, a protectionist response, can be best understood as part of what Polanyi (1944) described as a 'double movement': the imposition of the market logic in ever more areas of social life, followed by a protective counter-movement to subordinate the market to political constraints.

The neoliberalisation of British society, whose beginnings can be traced to the Thatcher era, has rendered divisions through UK society along lines of age, education, regional affiliation, and sectors of economic activity. The New Labour governments of Blair and Brown continued most of the policies from the Thatcher era, visible even in spatial policies, such as gentrification of the parts of the cities and the deregulation of housing markets. It has also left its imprint on other aspects of social life: 'This counter offensive by capital and state actors, including the emasculation of progressive local and city governments and assault on trade union power (especially in the USA and the UK), allied to the flight of capital away from the industrial cities of the north to low wage locations elsewhere, represented a response to an upsurge in class politics' (Harvey 2005). The results of the divisions are visible in the results of the vote on Brexit. The groups that supported Brexit the most were the elderly, blue-collar working or retired people, mostly living in Northern and Central England, and completely untouched (except in the negative context) by the financialization and globalization of Southern England–London and the City particularly: 'Britain's Gini coefficient, the measure of its inequality, has risen from about 0.26 in 1979 to over 0.4 today. It has divided Britain geographically into a prosperous London and South East, an especially depressed North with its deindustrialized run-down cities, and a mildly more social democratic Scotland able to avoid some of the worst of the social breakdown visited on the north of England, with the rest of the country performing indifferently' (Desai and Freeman 2016: 15).

Hopkin also warns that 'nationalism is not the only possible expression of social anxiety at the upheavals wrought by inadequately regulated markets, and the Brexit vote was preceded by dramatic changes in the Labour Party with the election of Jeremy Corbyn, who has articulated anti-market and anti-austerity sentiments on the left. His lukewarm endorsement of the Remain campaign showed that Euroscepticism was not confined to the nationalist right' (Hopkin 2017: 466).

The protection of the National Health (NHS) system and the implied promise that 350 million pounds per week could be injected into the NHS instead of being sent to ‘Brussels’, along with anti-immigration fears were probably decisive among the elderly and mature, blue-collar population of Northern and Central England, and Wales: ‘Remarkable to many outsiders, the NHS is almost a religion in the UK; its ‘overstretching’—especially by foreigners—presented as a blasphemy’ (Gietel-Basten 2016: 678). Such a claim was disavowed by Prime Minister David Cameron’s successor the current British Prime Minister, Theresa May, although she never promised it. Nevertheless, her foreign secretary Boris Johnson, who was part of the Leave campaign, was very happy to make reassurances that a ‘hard Brexit’ would be in the offing.

As Clarke and Newman have outlined, the Vote Leave Campaign emphasized themes of betrayal and alienation stemming from three groups:

- The metropolitan–cosmopolitan liberal elite (out of touch Europhiles, the architects of political correctness, insulated by wealth and social position from the effects of Europeanization);
- The European elite (embodied in German Chancellor Merkel but more frequently invoked as the Brussels bureaucrats strangling British liberty);
- The migrants, enabled by Europe’s free movement rules and consuming scarce resources (jobs, housing, welfare, and other public services)” (Clarke and Newman 2017: 107).

4 Why Trump?

The groups in British society, which felt they were left behind by the globalization, financialization, the City, and Brussels, made ‘their voice heard’. Such themes were repeated in the 2016 US presidential election. The key for winning the support in the ‘battleground states’ was speaking as the voice of the same forgotten, blue-collar workers, whose relative position in society was declining. Like the Brexiteers, Trump correctly identified the grievance of the white, mostly blue-collar majority in the battleground states of the US Great Lakes Region (Ohio, Michigan, Wisconsin, Minnesota and Pennsylvania) as well as Florida, where the anti(Latino)-immigrant views he constantly expressed during the campaign found fertile ground. Although Trump did not win in Minnesota, victories in all the other battleground states brought him the presidency (Kokotovic and Kurecic 2017).

The Trump and Leave campaigns conformed to Kazin’s (1995) description of populism: ‘a language whose speakers conceive of ordinary people as a noble assemblage not bounded narrowly by class; view their elite opponents as self-serving and undemocratic; and seek to mobilize the former against the latter’ (Wilson 2017: 544).

Many blue-collar, middle-class voters cared little about plutocracy and financial capitalism running through the US main parties, as well as reactions of the other groups in the demos, such as Occupy Wall Street, which they certainly did not support. However, the message of the Republican candidate Trump and his anti-free

trade, job losing, anti-immigrant stance was one they could understand (Walley 2017: 232). The reaction of the demos potentially represented a setback for neoliberalism and transnational capitalist class. Nevertheless, as will be discussed later, it is difficult to imagine any improvements in workers' rights, especially for blue-collar, middle- and low-paid workers, who are exactly those who elected Mr Trump to the White House. This has been compounded by the absence of a clear, strong economic agenda from the Democrats, despite the Obama Administration's efforts to pull the US economy out of the worst recession in over 70 years. This narrative was lacking in the campaign, replaced by conspicuous targets of economic culpability (the neoliberal system) across the electorate. Hillary Clinton, by virtue of that, did poorly in crucial battleground states in 2016, effectively breaching her 'firewall' in the US North-east (Wu 2016). Trump's vigorous messages against the free-trade and illegal immigration resonated and offered possibilities for a genuine change. The message behind these narratives is further explored in the next section.

5 Populist 'Revolutionary' Narratives

The rhetoric in the 2016 campaigns that characterized Brexit and the ascendancy of Donald Trump in the USA, critiqued and challenged the liberal free market assumptions that have girded the global economy. What such challenges also incorporated was an Occupy Wall Street narrative retooled and refurbished for the offensive against the neoliberal establishment: that the system's very notions needed challenging. According to Brent Budowsky, former aide to former Sen. Lloyd Bentsen and former Chief Deputy Majority Whip Bill Alexander, the 2016 campaign saw a series of vectors operating in the electoral scape, dramatically challenging orthodox party structures. 'There is a direct lineage between the Occupy Wall Street movement, the enormous and historic contribution that Sen. Bernie Sanders (I-Vt.) made in the 2016 presidential campaign, and what some call the progressive Tea Party movement that, along with other Americans, has besieged Republican officeholders at town meetings across America' (Budowsky 2017).

As with the challenge posed by the forces of the Left and Right in Europe during the 1930s in the form of communism and fascism, social discontent was mobilized as a response to the symptoms of the system (unstable capitalism). Totalitarian fascism, however, won out, entailing, a refusal on the part of the power holders to alter the nature of social relations and processes of capital itself. George Orwell and Walter Benjamin had, at stages, observed that fascism's very premise is not merely its strongman, cult obsession, with the State rendered organic and reactionary: it relied upon the very fact that capitalism would only be tempered in a limited way. Economic relations, in other words, would remain conservative. Benjamin would go even further, insisting that fascism was revolutionary in one fundamental sense: its association with aesthetics (Benjamin 1974).

The role played by Bernie Sanders, and piecemeal efforts to incorporate his agenda into Trump's platform demonstrated the appeal posed by the other side of the divide.

In the UK, the same could be said with Jeremy Corbyn and the re-emergence of traditional labour values, emphasising greater state intervention in the economy and deficit spending. The Canadian newspaper tycoon Conrad Black, persistently defending the nature of capitalism, suggested that these movements were unmistakably the result of poor leadership. ‘Though many do not formulate it in this way, the rise of Trump and the Sanders challenge shows that the heavy failings of the Bush-Clinton-Obama joint regency will not be accepted’ (Black 2016: 44). What mattered was that such candidates as Sanders and Trump had a common target, at least till Sanders fell out of the race and reneged on much of what he had said. (This point, it is argued here, is a salient one in suggesting change as ‘no-change’.)

Clinton loomed as the establishment figure, near totemic in terms of target and object of obloquy. Ironically, while Trump had been very much the ‘nasty’ capitalist in his casino and property ventures that Clinton portrayed him as being, the former First Lady and Secretary of State became a supreme alibi about the ills of international capitalism. The release of the Podesta emails and those of the Democratic National Committee by WikiLeaks showed Clinton to be soft on reforming the banking sector after the 2008 Global Financial Crisis. Despite the deep ironies of a property tycoon casting aspersions against the Democrat candidate for being accommodating to plutocrats and the banking sector, the inroads made by Trump were effective.

6 The Challenge of Bannonomism

In the USA, the America First notion of Donald Trump unmistakably suggests a return to a period when that particular name was also used: prior to the US entry into World War II. The ironic reversal of the term here is that the USA, far from showing any desire to move to a ‘normalcy’ marked by the isolationism of the inter-war years, is simply posing for a more unilateralist pose for international action in international markets and the geopolitics. It suggests a fear that hegemonic credentials are being challenged. (Trump having accused the Chinese of predatory currency manipulation.)

Steve Bannon, briefly security White House advisor and the Breitbart advisor most influential in setting the tone of Trump’s campaign, would be undoubtedly familiar with the historical appellation of ‘America First’. What matters to Bannon and the recently departed deputy White House advisor Sebastian Gorka, is the notion that the west is at war with Islam (Rose 2017). These forms of supposedly radical challenges betray a conservative, rather than revolutionary perspective, the policy of Make America Great Again (MAGA). But while he insists on a return to power politics as reality, Bannon also sports a strong anti-elite, anti-corporate perspective. To that end, he has made it a crucial aspect of Trump’s rhetoric to target the predations of the unelected agents of boardroom, corporate globalisation. As Bannon explained to *The Economist*, an establishment paper of economic opinion, ‘You are the enemy’. The reason was simple enough: ‘You support a radical idea, free trade. I mean it, that is a radical idea’ (*The Economist* 2017).

The economic agenda of reordering of challenging the unaccountable globalists also comes in step with fighting a rival religious world view, the need to reimpose Judeo-Christian values against Islam, deemed by Bannon to be, 'not a religion of peace but submission'. (Shuham 2017). 'Yes, it was jihadi terrorism', argued the former Trump advisor in describing the attacks of September 11, 2001 on the USA, 'but more importantly, that event was linked to communism. Because al-Qaeda, ISIS, all of these groups are totalitarians—either you surrender to them or they will kill you' (Jaffe 2017).

What America First, however, entails are a reassertion of borders (notably against Mexico), and a sympathy for shades of authoritarianism (the sympathetic response to Russia's president Vladimir Putin). It also suggests assertiveness, brashness, independence, a superpower's effort to keep the mantle against any potential challengers.

This same hyper-nationalist rationale had similar forms across the Atlantic, though it was configured somewhat differently. The figures who led the Brexit campaign could hardly be said to be Bannonites from the perspective of opposing global free trade interests or financial oligopolies. Their concern, rather, was that such trade and market values be parochial and self-serving rather than collectively corporatist. Dominant emphasis was placed on the social consequences of an open trade bloc: the principle of free movement. Critics such as Nigel Farage of the UK Independence Party, and Boris Johnson of the Conservatives, insisted that the UK had not merely become a place of asphyxiating migration typified by traffic jams and high crime rates, but one for which the State had to compensate Europe for (Rawlinson 2014). Never mind the fact that such mobility had, in fact, supplied much-needed labour to the UK economy at unprecedented levels, be it in low-skill jobs, to those in the research and tertiary sector.

7 Avoiding Revolution and Change

The very fact that Brexit is being steered by a former Remain figure, Theresa May, says much about the central point that promised changes have been more superficial than not. A system is shocked in order to return to a semblance of what went before. The capitalist status quo, however, ruffled and battered, is to be maintained. May has made it clear that she wishes to embrace the trade and market agenda inherent in the current system (free trade, cheaper goods and services despite being outside the EU), while altering the social welfare and human rights aspect inherent in EU membership. The perceived negative effects of free trade, in other words, are not going to be redressed, because there are, in the opinion of May's officials, none to speak of. Indeed, she has promised, very much in hope, that Britain will find new markets that the neoliberal agenda will continue its way.

The appointment of Boris Johnson, a key Brexiteer and the present-day sitting Prime Minister, may well have suggested a challenge to the orthodox approaches to the market logic of the EU, and its policies. It actually signalled the reverse. Britain

was to become more entrepreneurial than ever, to engage, as it were, the markets in a way that was far more aggressive than it would have otherwise been. Indeed, Johnson insists that the system is going to be improved by Britain looking in, rather than being a member looking out: ‘with the help of the excellent negotiators on both sides I have no doubt that we will get a great deal that preserves and even enhances the frictionless movement of goods that is in the interests of both sides of the Channel; and I am sure that will get a solution that does nothing to undermine the interests of London’s financial sector because the real rival of the City is not in Paris or Frankfurt; they are in Hong Kong and New York and Singapore—and in the end I think everyone understands that London is an asset for the entire continent’ (Johnson 2017).

Much in the way of Britannia unchained, if not reclaimed, opportunities supposedly await, according to the Brexit managers, in the form of agreements in Asia, Africa and Australasia. These do not suggest a revolution in the global capitalist system as its advancement, its logical progress by being rid of intrusive regulatory frameworks. Countries of the Commonwealth will be wooed. In a Raisina Dialogue event held in January 2017, Foreign Secretary Boris Johnson insisted that the UK-India relationship would be conducive to a free trade agreement, suggesting that Brexit had little to do with a parochial dispirited backlash against the effects of globalisation. On the contrary, he is insisting on encouraging it. The relationship with India, amongst other countries, needed to be ‘turbocharged’.

In the USA, Sanders promised a revolution, only to succumb to the Clinton machine in the way that previous candidates had done (Ted Kennedy in 1980; Jesse Jackson in 1984 and 1988; Dennis Kucinich in 2004 and John Edwards in 2008). That reality became a bitter one: democratic socialism would be, if not dismissed altogether, then nipped, trimmed, and packaged for electoral advantage. ‘The agenda of the Democratic Party’, as Barry notes with conviction, ‘is determined by its corporate financiers’ (Finger 2016). There was little chance of breaking with the elephant, the ass or the working class, and Jason Schulman wished that genuine Marxists step outside Democratic Party politics to establish its own party (Schulman 2016: 12). It is certainly true that Sanders managed to sanitise such terms as ‘socialist’ and socialism providing US socialists ‘an opening’, as Schulman terms it, not available previously (Schulman 2016: 10). And to take advantage of the Democratic primary system to capitalise in creating the conditions for a separate political party, in appearance, seemed to be gathering pace. But it was simply not to be. That said, common ground was identified with the Trump campaign. ‘On this one central issue—Bernie Sanders and Donald Trump have a surprisingly similar message: The American economy has failed’ (Zakaria 2016: 14).

He also played to the image of public relations magic, retaining a Revolution Message to craft his image, attempting to draw out a voter base with a smaller donations message that might decorporatize funding interests in favour of more “working class” sources and small donors. The language of his campaign team suggested the possibility that a revolution had in fact begun, though in many ways it seemed to participate, mimic if not ape the very same defects of the system he wished to alter. Consider the remarks of Zack Exley of the Sanders campaign: ‘The campaign is changing people’s lives and changing everyone’s idea of what’s possible. No matter

what happens, people are going to keep fighting for the political revolution that Bernie helped us start'. For Exley, the fire, once started, would burn. How it would do so, amidst the 'organizing teams, structures, and processes' was less clear (Capehart 2016).

After the bruising primaries, and Clinton's successful nomination, Sanders responded with the Our Revolution movement, suggesting during its launch to an audience in Burlington that the centre of US politics had moved to the left, and 'seven key ballot initiatives' along with 'over a hundred candidates' could be backed. None of this could conceal an internal revolt by such figures as Tim Canova, a congressional challenger with Sanders' backing, who suggested prior to the launch that he had been left high and dry (Weigel and Wagner 2016). Eight of the initial 15 organisers of Our Revolution departed before the launch, citing the arrival of former campaign manager Jack Weaver as the last nail in the revolutionary coffin. Another revolution and attempt at reform risked being stymied.

The repeated conversations about revolution eventually become matters of absorption into the establishment structure, tempering, if not subjugating the indignation that was initially meant to inspire it. As Capehart (2016) suggested, 'those fired-up folks go home—and stay there for the next four years'. Scholarship by Steve Phillip, utilizing material from the Office of the Clerk of the US House of Representatives, shows the pattern of euphoria, apathy and disillusionment, examining Democrat ballots from their initial highpoints of enthusiastic casting to a significantly reduced turn-up by the next election. In 2008, 65 million Democrats cast ballots for House candidates, a number that shrank dramatically in the 2010 mid-term elections (39 million). Republicans capitalised, and the Tea Party made its own tilt at revolutionary fervour. In 2014, the Democrat voters who turned up to vote for the Senate in the mid-term elections had fallen by 43%: down by 15 million (Phillip 2016).

8 The Year 1848 as a Parallel

In the context of revolutions that fail, or are, in part, tempered by the establishment, one historical parallel is useful. The populist revolutions taking place in 2016 within the western democratic context were to have a parallel result to those of 1848—an attempt initially is undertaken to alter a system, only to see a re-imposition of absolutism and reactionary, monarchical conservatism. Instead of getting regimes of true accountability and constitutionalism, uprisings were put down, and the fire of reform snuffed. This traditional view, and one that still has some currency, was advanced by Karl Marx himself (Marx 1973).

The response of force was unmistakable: Louis-Eugène Cavaignac's efforts against insurgents in June 1848 signalled the mood. Alfred, prince von Windischgrätz, obliged with similar actions in Prague on June 17 that year. Russian intervention took place in Hungary, while Lombardy and Vienna saw Austrian military efforts to reverse the order. Liberals were left dispirited and demoralised, though it should be noted that certain countries (Denmark, Belgium, the Netherlands) did see

a reform of institutions without bloodshed. But Italy, Germany, and Austria saw a return of absolute monarchy, a point backed by a clergy and middle class suspicious about the excesses of reformist fervour. What mattered was the striking abandonment of concessions that had been promised in the wake of the 1848 revolutions. The Convention of Olmütz in 1850 saw a reactionary counter: the withdrawal of concessions linked to crucial liberties, including universal manhood suffrage, press liberties and freedom of assembly.

The promise of reform, in other words, became not just a stifling but a reversal, a consolidation of state power in the face of change, usually buttressed by the support of a threatened middle class and the fears of the clerical authorities. The spectre of socialism was haunting enough to warrant the restoration of monarchical systems of government, a point the traditionalists had some reason fearing: Marx and Engels had, in distinction to their socialist colleagues, insisted on the destruction of monarchical absolutism as an essential pre-requisite to realising their vision of proletarian bliss. Sperber makes the salient point that the authors in *The Communist Manifesto* (1847) go even further in insisting that a socioeconomic socialist order would require stringent political revolution and a Jacobin republic (Sperber 2005: 86). The danger to the traditionalists was all too real.

While it would be inaccurate to dismiss the efforts of 1848 as entirely fruitless (legacies exist in their honour across the continent), the European revolutions provide an ample international example of a counter-movement that becomes absorbed by the promise of change for populist causes. The revolution is tamed; its more revolutionary promises are hemmed in and curtailed. But it also shows another more direct response: heavy-handed, fearful, and directed by the organs of police and military.

The changes promised in the context of Trump and Sanders in the USA; and by the populist upsurge in Britain, also had a focus on liberties, though there, the focus was regenerative: to attack the plutocracy, the corporatocracy, the nastiness of the establishment swamp that needs draining. Hillary Clinton became the greatest target in the approaches of both candidates.

In Britain, it was the restoration of liberties, an idiosyncratic notion when considered alongside the fact that the Human Rights Act was a derivation of both UK and European legal principles. Trump spoke about the restoration of rights and security of US citizens fearful of immigration, a theme similar echoed in the campaign of Nigel Farage in the UK. Promises on deportation (both in the UK and in the USA) and the construction of a vast wall preventing porous movements through the Mexican–US border, were also made, while UKIP issued flyers and leaflets through the constituency depicting hordes coming through with menace from Turkey in the event that it might be admitted to the EU. In Britain's case, there would be promised change (May's idea of Brexit entailed the colours of the Union Jack, a patriotic varnish), but the content of this is unclear, with a stance so vague as to be infuriating to the voter base. Electoral losses suffered in the 2017 British election also suggest that voters were far from convinced that the prime minister would be a figure for genuine radical change. This feeling was also replicated by EU Representatives unconvinced and confused in equal parts about the Brexit negotiating strategy of May and her team.

The more belligerent Trump may well have spoken about draining the swamp of Washington corruption, but such a metaphor does little to actually remove the water altogether. What merely happens in this context is populating the swamp with one's favoured confidantes, be they friends or family advisors. The Trump family has exposed the capitalist system in such spectacular fashion, going so far as to admit that the presidency is not inconsistent with the promotion of personal wealth creation. His very election shows that a billionaire with business interests can still become a servant of the people. To that end, the system does not so much improve as reveal itself as disfigured, defeating the democratic project.

In another sense, Trump has so far not succeeded. Mirage, image, and perception have given the impression that change is occurring, 'reform' taking place. Promoting himself as the anti-establishment figure keen on altering the landscape of immigration, imposing restrictions from Muslim majority countries, he has been a failed reformer. His attempts at deportation have failed to manifest in a genuinely effective way. Internal resistance in the USA, notably from some states and the efforts of sanctuary cities, have made efforts difficult. Another important feature to note is that deportations were already at a high level in the last few years of the Obama administration suggesting that Trump had done little to realise his supposedly more muscular response.

9 Conclusions

These three years have seen challenges to the international capitalist system that suggested a challenge to its very basis. They have taken place in countries at the forefront of the globalizing, neoliberal narrative of open market and minimal government interference. But Brexit and the era of Trump suggest that such processes depoliticize citizen participation, using citizen rage to convey a false sense of reform. The emergence of such figures as Trump, Sanders and Corbyn posed a return of relevant politics, a form of 'forgotten people' discourse at times powerful and relentless. But Trump's victory in the USA, and the Brexit ascendancy in Britain, point to an absence of genuine radical change in the way the State relates to the international capitalist system. Indeed, there is a suggestion that the free market should be, if one is to take the perspective of the May government, encouraged further. Across the channel, the post-democratic illusion has incarnated itself in the Macron government, which has more or less surrendered to the idea that to succeed and prosper, France must not so much disentangle itself from the European system and entangle itself further, embracing a more aggressive market-based agenda. French firms are to be encouraged in their competitiveness; an inflexible French labour market is waiting to be reformed in terms of work hours and an inflexible hire-and-fire scheme (Maher 2017). The idea, reminiscent of ideological defences of communism, was not the ideology itself, but its imperfect application. His case against the US president is simple: we are not to make the US great again, but the World great. We still await a new consensus, and most certainly, the new Keynes of Rodrik's consideration. But

antagonism and civic debate, the sort that interrogates liberal democratic institutional behaviour, has returned.

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Part II
Post Brexit and European Integration

Chapter 6

Post-Brexit European Integration



Bruno Dallago and Steven Rosefielde

Abstract This article clarifies the challenge posed by Brexit for post-Brexit European integration. The principal finding is that Brexit is apt to be less disruptive than initially supposed because the EU has the ability to respond constructively filling gaps in its institutional setup that reduces the system's vulnerability to asymmetric shocks.

JEL classification E02 · E52 · E61 · F36 · H63 · H77 · O52 · P11 · P17

1 Introduction

Five years ago, British Prime Minister David Cameron's decision to submit the UK's EU membership to a referendum jolted the EU. This occurred despite the UK having secured favorable terms for remaining in the EU (EURO 2016), during reportedly harsh secret negotiations that ended in February 2016. The British prime minister decided to go ahead anyway with the referendum to strengthen his position within the conservative party because opinion polls projected that Brexit would be rejected. The referendum took place on June 23, 2016. To many people's surprise, the majority voted in favor of Brexit. Cameron's government chose to resign, even though the referendum was consultative. The new Prime Minister Theresa May embraced Brexit, adopting the position that "Brexit means Brexit!" Britain, she asserted would not renegotiate the marriage contract. It would divorce. May formalized her intention in a letter to the president of the European Council, Donald Tusk, triggering Article 50 of the Treaty on the European Union (TEU) on March 29, 2017.

After a prolonged deadlock in the British government and parliament, a new British government led by Prime Minister Boris Johnson entered office after early

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general election on 12 December 2019.¹ Following Johnson's promise during the electoral campaign to proceed swiftly toward Brexit,² Great Britain withdrew from the European Union on 31 January 2020. This began a transition period that is set to end on 31 December 2020, during which the UK and EU will negotiate their future relationship. The UK remains subject to EU law and continues to be part of the EU customs union and single market during the transition, but is no longer part of the EU's political bodies or institutions. No British commissioner sits in the current European Commission nor do representatives of the British government participate in common meetings, such as the meetings of the European Council. Starting on 1 February 2020 the number and distribution of seats in the European Parliament changed following the UK withdrawal. Seats were decreased from 751 to 705 seats; the difference being kept in reserve for future possible enlargements. Of the 73 UK seats, 27 were redistributed to other member countries.

During the Covid-19 crisis, this transitory situation became contentious, since the UK had a shifting position on being part of the EU joint procurement system of anti-virus medical equipment (<https://www.politico.eu/article/corona-virus-who-said-what-on-uk-nonparticipation-in-eu-procurement/>), while adhering to EU rulings on national financial support to fight the crisis consequences (https://ec.europa.eu/commission/presscorner/detail/en/IP_20_603).

Although EU–UK negotiations on post-Brexit settlements and agreements continue, the post-Brexit European Union now has an opportunity to create a fully integrated Eurozone and deal with open problems posed by the single market, including troublesome labor migration problems.

2 Starting Brexit, a Junior Black Swan

There are three reasons why the British Government chose to withdraw from the European Union. First, the majority of British voters may have believed that their wellbeing (including economic externalities associated with local control) would be enhanced by leaving the EU; that is, they thought that gains in liberty would outweigh losses in income. They felt that an independent UK would expand its opportunities, accepting Brexit's short-run costs for conjectured long-term benefits.

Second, the UK and continental Europe are only weakly compatible. Their economies are moderately integrated compared to the case of the other member countries. The UK is a typical liberal market economy (Anglo-Saxon economy) which features distinct characteristics that make institutional and policy cohabitation difficult as the Varieties of Capitalism (VoC) approach maintains (Hall and Soskice 2001) and as French president Charles de Gaulle made repeatedly clear in

¹The first Johnson government took office on 24 July 2019 after May's government resigned and remained in office until 12 December 2019, the day of the early election.

²<https://www.ft.com/content/b5be23ba-19d0-11ea-97df-cc63de1d73f4>.

the early 1960s when opposing UK membership in the European Economic Community (EEC) (<https://www.france24.com/en/20191013-did-charles-de-gaulle-foresee-brexit>). Indeed, much of the process of EU integration has been institutional and the EU setup turned out to be an uncomfortable fit for the UK. Albion was strong and smart enough to obtain special status within the EU, the most important of which was its retention of the pound as its national currency. The UK also succeeded in slowing down the integration process in selective and sensitive areas, primarily finance, fiscal matters, international and military issues. The dominant role of the City of London in international finances was protected even in Eurozone finances (such as in the euro-clearing market).³ UK membership consequently was both welcome and challenging for the EU.

Third, the UK prefers an EU architecture that prioritizes a single market with national autonomy in all fields, while the other countries prefer a greater degree of EU coordination and control in selected fields including a single market with free labor mobility, a common currency and convergence in fiscal behavior, although not in taxation. The UK accepts the concept of a common market for goods, but wants restrictions on international labor mobility. It refuses to relinquish the pound,⁴ and objects to the increase of the EU budget, the coordination of fiscal systems and capital market rules, even though it coordinates with the European Central Bank (ECB). Great Britain is politically and economically important and strong. At the time of the referendum its economy recovered better than the EU average from the crisis, was fairly balanced, and its finances and currency global players. A majority of British voters considered that being a member of the EU was disadvantageous and that the UK outside of the EU would benefit from increased decision-making choice and flexibility.

The UK's integration in the EU is looser than any other member country (Dallago 2016a). It is only in finance where the UK has a dominant position, where Albion desires strong integration.⁵ This does not include fiscal issues though, since the island of Jersey and some of its dependent overseas territories (including the British Virgin Islands, Bermuda and the Cayman Islands) have among the most aggressive tax jurisdictions in the world, often to the disadvantage of other EU member countries (Cobham and Garcia-Bernardo 2020; Oxfam 2016). This weak relationship facilitated divorce, even if it proves to be costly. There are mitigating externalities on both sides. Divorce offers the EU a chance to resume the process of integration in critical issues, such as capital market and fiscal rules, regain control over the euro-clearing market, strengthen its hand with Hungary and Poland, and discourage other

³According to the Financial Times, the City of London processes up to three-quarters of global euro denominated derivatives, clearing a notional €850 bn a day (Brunsdon and Barker 2017). The financial sector produces some 10% of the British GDP.

⁴The UK secured an opt-out from adopting the euro during the negotiations for the Maastricht Treaty in 1992.

⁵There are also some industrial branches in which the EU market plays an outstanding role for the UK. This is so in particular in the case of foreign investments in the automotive industry, whose production is largely exported to continental EU countries.

dissidents from emulating the UK's example. Brexit is likely to enhance European integration, if properly managed.

3 Questions and Facts

Let us review the fundamentals. The core problem for the EU has been that converging fiscal parameters, particularly in an incomplete monetary union, have caused widening inter-union inequality, exacerbating fault lines among member economies (Dallago 2016b). The economic fault between Northern countries and Southern countries continues to be significant, and political fault lines are deepening too between older member countries and the four Visegrád countries (Poland, the Czech Republic, Slovakia, and Hungary). These fault lines were invisible until the international crisis, thanks to the internal flow of private resources from financially strong countries to some of the unbalanced countries. The asymmetric financial shock of the crisis, austerity policies and internal devaluation forced upon distressed member countries in order to fix their fiscal and financial imbalances, caused a reversal of financial flows and put financial and political pressure on them. Their distance from the Union's resilient core increased rapidly. The adverse distancing was particularly evident in the case of Greece, but remarkable also in other Southern European countries and Ireland.

The UK sidestepped the problem thanks to its monetary and fiscal sovereignty by fighting the global financial crisis of 2008 with expansionary monetary and fiscal policy. Its economy swiftly recovered, while continental economies, in particular in the South of the continent, languished. However, things changed following the referendum and since then the UK economy languished compared to the EU average (Chart 1).

The UK relations to the EU were traditionally complex (Gowland 2016). The country adopted an opportunistic policy approach to the EU from the beginning. It was interested in the unified market and in syphoning continental financial resources and activities to strengthen the role of the City of London as a world financial center. Moreover, it also had the expertise and structures to succeed. The UK was also interested in attracting foreign investment to develop its manufacturing industry while exporting its production to the continent. Overall, the strategy was successful, aided by its close alliance to the United States and its first-class role in globalization. In the process, the UK obstructed changes in the European integration that might diminish its benefits. The UK opposed progress towards unified financial and capital markets, and fiscal unification. It obtained favorable institutional treatment, most importantly the euro opt-out. The UK was a privileged insider from the beginning, a position underscored by Brexit.

The EU had a clear interest in having the UK as a member country. The political, geostrategic and military role of the UK buttressed by its close relationship with the USA was important. The EU hoped that British membership would give it a broader political dimension beyond the Union's economic core that it found difficult

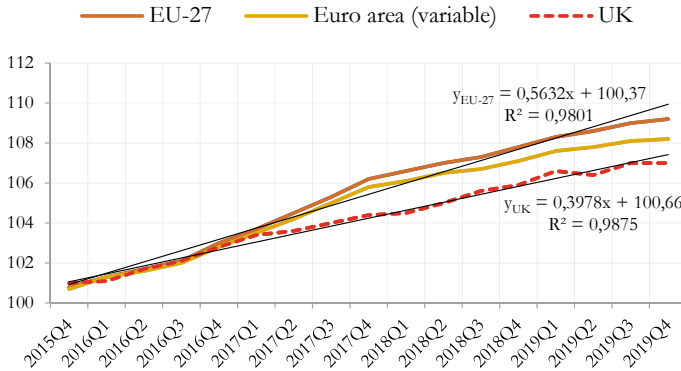


Chart 1 Quarterly GDP at market prices, percentage change over previous period (2005 = 100) (Chain linked volumes (2015 = 100), seasonally and calendar adjusted data. EZ variable includes the actual member countries of the Eurozone in each relevant quarter). *Source* Own elaboration on Eurostat database

to accomplish on its own. Similarly, it was hoped that UK membership would support the development of a strong and sophisticated European financial sector, which in turn would strengthen EU’s international role and support the common currency and its role as an international currency. These hopes were largely unfulfilled. The EU’s acceptance of Brexit reflects the disappointment. The UK’s departure is no longer viewed as a tragedy. It is more a hindrance that has to be fixed swiftly and may have important potential advantages.

4 Brexit and the Economy

Brexit is a reality since 31 January 2020. All the involved parties, the UK and the EU, and their deputed organs had approved the deal and the decision entered into force. Yet the particulars remained to be settled: a host of agreements have still to be worked out, let alone agreed on. The future will depend on the type of relations the two parties will agree on, perhaps in 2020. The alternatives are (1) a full UK participation in the single European market with conditions and (2) no deal, which means governing bilateral trade relations with WTO rules. At the time of writing (April 2020), the decision is in limbo due to the health pandemic.

In the interim, Great Britain has to follow EU rules, including paying a fee for the financial settlement foreseen in the Withdrawal Agreement, and get permissions in case of extraordinary policy measures such as those needed to fight the economic consequences of Covid-19. In exchange, the UK continues to enjoy EU support—although it is a net contributor to the EU budget. Hard times occasioned by Brexit itself have complicated smooth transitions in trade and labor relations, and allow the United States to fish in troubled waters. The Covid-19 pandemic which hit the UK

and various EU member countries hard is exacerbating the situation. The pandemic slowed down the ongoing EU–UK negotiations and added uncertainty to an already blurred future. Economic forecasts are worsening, and financial strain is growing (Chart 2 and Table 1).

Ameliorating these difficulties requires progress on two fronts: fast and positive conclusion of bilateral negotiations and a new perspective for the European integration in the direction of an explicit and orderly multispeed, multitrack, multilevel (MSTL) union.

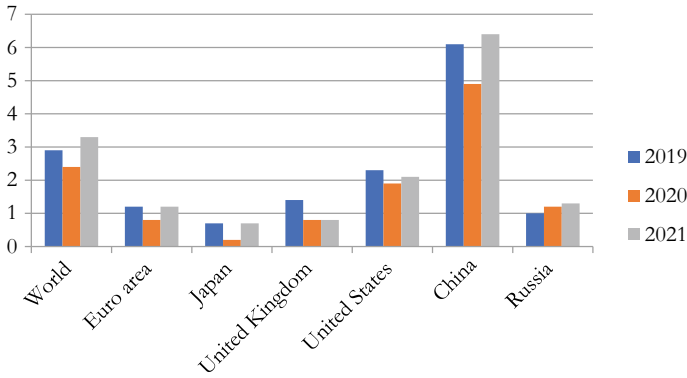


Chart 2 OECD interim economic outlook forecasts, 2 March 2020, real GDP growth, year-on-year % change. *Source* Own elaboration based on OECD interim economic assessment, *Coronavirus: The world economy at risk*, 2 March 2020, p. 2 (https://www.oecd-ilibrary.org/economics/oecd-economic-outlook/volume-2019/issue-2_7969896b-en)

Table 1 Real GDP growth in selected areas (percent change)

	2018	2019	2020	2021	2020	2021
			Projections (April 2020)	Deviations (from January 2020)		
World	3, 6	2, 9	-3, 0	5, 8	-6, 3	2, 4
European Union	2, 3	1, 7	-7, 1	4, 8	-8, 7	3, 2
Euro area	1, 9	1, 2	-7, 5	4, 7	-8, 8	3, 3
UK	1, 3	1, 4	-6, 5	4, 0	-7, 9	2, 5
Japan	0, 3	0, 7	-5, 2	3, 0	-5, 9	2, 5
USA	2, 9	2, 3	-5, 9	4, 7	-7, 9	3, 0
China	6, 7	6, 1	1, 2	9, 2	-4, 8	3, 4
Russia	2, 5	1, 3	-5, 5	3, 5	-7, 4	1, 5

Source Elaboration on data from IMF, World Economic Outlook, April 2020, p. 15 (<https://www.imf.org/external/np/g20/pdf/2020/041520.pdf>)

5 The Fading of the Original EU Project and the UK

The process of European integration started with a small group of six countries primarily to reestablish and strengthen peace and democracy in war-torn Europe. With time priority moved from production and trade integration for deterring armed conflicts to reduce transaction costs and strengthen scale and scope economies for improving enterprise competitiveness and increasing market size. All this also served to make the integrated economy more resilient to crises and improve Europe's standing in international markets. The monetary union subsequently sought additional micro and macroeconomic management efficiencies.

This initial unitary vision and strategy, however politically ambitious, were technically feasible since member countries were in similar situations. The post-war reconstruction period, rapidly growing openness of economies in a globalizing international context and strong willingness to cooperate created opportunities for rapid growth free of major negative shocks. The original unitary vision led to the single market and the Economic and Monetary Union (EMU). It yielded high initial dividends by focusing on Pareto superior common market building, allowing everyone to gain without compelling any member to lose. Widened rational utilitarian choice outweighed conflicts over monetary and fiscal policy and social values. There were two major events that jeopardized this harmonious progress: membership of Great Britain on 1 January 1973 and the financial crisis of 2008.

The UK membership introduced a previously unknown institutional and policy diversity in the Union. Great Britain has an Anglo-Saxon or liberal market system, from which important institutional and policy idiosyncrasies follow, and an internationally and militarily powerful country. Great Britain was a critically important member since the beginning, quite aware of its own strength and interests and determined to push them through within the EU. The exceptional nature of the UK membership appeared soon.

A first referendum on the UK membership was held as soon as 5 June 1975 which obtained two-thirds support to continuing membership. In 1979, the UK opted out of the newly established European Monetary System (EMS), the first fundamental step toward the common currency. However, in 1985, the UK ratified the Single European Act (SEA) which created, among others, the single market and in October 1990 joined the European Exchange Rate Mechanism (ERM) which pegged European currencies to cross-parities. UK membership in ERM lasted until September 1992 when international speculation against the overvalued pound compelled the country to leave ERM and refuse to reenter afterward. During the concomitant negotiations for the Maastricht Treaty, the UK successfully negotiated an opt-out that freed the UK from the need to join the monetary union. The UK had four opt-outs overall during its EU membership, more than any other member country. The UK thus remained the institutionally least integrated member country until Brexit took over and played an important political role, albeit indirectly, to encourage other unruly member countries.

Other opt-outs jeopardized the original unitary vision. As more and more diverse countries joined the EU, following the same track at the same speed became difficult and sometimes impossible. Opt-outs were mostly in noncore issues. Some member countries negotiated particular opt-outs from legislation or treaties of the European Union that in principle apply to all member countries. There are currently five opt-out areas involving four countries: (1) Ireland and the UK relieved from implementing the Schengen agreement; (2) permission for the UK to exclude itself from the monetary union, while Denmark has the right to decide if and when to join the euro; (3) Poland and the UK have partial opt-out from the Charter of Fundamental Rights of the European Union; (4) Denmark, Ireland, and the UK have opt-outs on issues regarding freedom, security and justice. To overcome the opposition of particular member countries to progress in certain areas, possibly including a tax on international short-term financial transaction, the EU foresees an enhanced cooperation among interested and willing member countries.

As the Union enlarged, integration became less and less unitary and the EU became increasingly loosely coordinated, although the core monetary union among a subset of member countries proved to be successful and overall, consistently managed. The financial crisis of 2008 shattered the euphoria. The game ceased being unambiguously Pareto superior, morphing into an asymmetric power and social order game that paved the way of the monetary union (Dallago and Rosefelde 2020; Stiglitz 2016). The Eurozone itself is an inconsistent MSTL. Countries pursue the same goal (the same currency with the same monetary policy and macroeconomic and fiscal equilibrium in order not to jeopardize the stability of the currency) at different speeds, through different tracks (some countries have to stabilize and others not, some grow and others stagnate, some decrease their debt and others increase it).

The EU has chosen to distort its de facto institutions rather than engage in the difficult revision of the treaties. Ultimate economic sovereignty still reposes in national governments, as Brexit showed, albeit with the exception of the monetary sovereignty. While joint sovereignty encourages cooperation, it disregards the growing disparity among and different preferences of member countries. Pressed by a prolonged economic and financial crisis and growing domestic social and political pressure, aggravated by the 2020 pandemic, various countries are increasingly resisting common rules and enforcement and demanding change. An explicitly well-ordered MSTL EU based on transparent institutions and processes would be better.

6 Toward a Post-Brexit MSTL Union

The founding principle of the EU is the cohabitation of supranationality in selected fields based on the principle of subsidiarity and national coordinated sovereignty, that is, the creation of a multitier governance regime that reserves some powers to nation states and simultaneously facilitates transnational coordination. The concept is

compatible with strong, moderate, or weak supranational authority and can accommodate multiple degrees of participation if members desire. The core EU group (France, West Germany, Italy, Belgium, Luxembourg, and the Netherlands), signatories to the Treaty of Rome (March 1957) have long favored increasing coordination and the gradual construction of supranationality (“more Europe”) achieved by deepening the power of common supranational institutions and holding members to strict convergence criteria in order to ameliorate problems caused by the monetary union’s incompleteness. The UK and some other members prefer softer central power in varying degrees including different classes of supranational participation. The debate on the merit of these alternatives has clarified some issues but has not settled matters because the merit of any institution depends fundamentally on its goals, not just its architecture.

The EU project revolved around the idea of an increasingly deep integration since its beginning and in spite of occasional difficulties. Pressure for “more Europe” and promotion of one-track integration reached its climax with the Maastricht Treaty of 1992 and the launch of the process of monetary union. However, intraunion disagreements and divergences were ever present (Brunnermeier et al. 2016; Mody 2018). Brexit represents the culmination of conflicts of interests and divergent views and strategies within the process of European integration and raises the warning that the EU should start considering and implementing a reform capable of accommodating such differences in a constructive way. We contend that an orderly multispeed, multi-track, and multilevel (MSTL) order is sufficient to significantly mitigate strife and promote better outcomes in a Union made of countries with many institutional and structural differences and need to solve different problems (Dallago and Rosefielde 2020).

Multispeed integration means that member countries go in the same direction and pursue common goals, but do so at different speeds, as in the case of fiscal balance. In a multitrack integration, some countries pursue more integration, others less, as in the case of the monetary union. Multilevel integration means that member countries pursue similar goals, but do this in different ways in accordance with their circumstances, as in the case of reforms to comply with EU requirements. Members may also seek objectives other partners dislike, but are willing to tolerate, as in the case of immigration or participation in the Schengen area.

The main challenge of MSTL integration is the management of onerous macroeconomic spillovers and the danger of moral hazard that may transform win-win into win-lose situations. The challenge may be solved by means of proper measurement, assessment and enforcement. MSTL’s primary virtue is more national freedom combined with joint responsibility based on transparent rules and procedures. This solution promises superior results and political stability, thus making the EU stronger because cooperation will be upgraded, internal conflicts softened and decision-making concentrated on solving the most demanding problems. The proposed solution would be akin to, but more general than an upgraded version of the existing enhanced cooperation.

The MSTL solution allows members to maximize utility without jointly optimizing wellbeing, subject to critical benevolent constraints according to a single

Bergsonian social welfare standard (Bergson 1938, 1954, 1976). Paretian and Bergsonian metrics are identical if members have common preferences and values. If members do not agree, some will necessarily be displeased and may try to harm others deliberately or inadvertently by exerting de facto regulatory power and imposing paternalistic values.

7 Brexit and the MSTL Perspective

Following the crisis and Brexit, the debate is de facto moving in the direction of the fundamental distinction between Eurozone countries, where more coordination is necessary and inevitable, and those countries among the others which want to remain outside. The new imperative is to reconceptualize the EU as an adaptive socially and politically inclusive, Pareto improving satisficing project with a flexible internal structure. While the problem is increasingly clear, a shared solution is still distant.

The EU has taken some important steps to increase flexibility. The Euro Plus Pact (E + P), adopted in March 2011 redefined the primary deficit to lighten the compliance burden. The new rule excluded the zero-output gap (the gap between current GDP and potential GDP) from the deficit calculation, a measure that implicitly favored the most indebted countries. The suspension of the Stability and Growth Pact during the 2020 pandemic gave members additional degrees of freedom on an emergency basis. The 2010 European Semester, a series of regularly scheduled fora created to foster national fiscal policy coordination, structural reforms and macroeconomic imbalances discussions, based on commonly agreed treaties and standards, serves a similar eclectic purpose. The consultation process is not joint sovereignty and has a limited short-term perspective, but is a step in the right direction. The key objectives of the European Semester are of ensuring sound public finances and convergence and stability in the EU and thus preventing excessive macroeconomic imbalances.

Following the international crisis, the EU decided in the “more Europe” spirit to implement stronger economic governance and better policy coordination, synchronization and monitoring among member states to improve convergence, stability and other EU objectives, pushing the growth agenda into the background. The ongoing debate on the introduction of common Recovery Bonds—apparently jointly emitted by the European Commission and then given to member countries in need, in part as a contribution and in part as a long-term debt—and accession to the European Stability Mechanism (ESM)—without conditionality for managing the health emergency and up to 2% of each country’s GDP—are fundamental advances that were unimaginable before April 2020. Making fundamental progress under the push of extreme difficulties has been a standard for the EU through its life and the present time is perhaps not an exception. Having to deal on two difficult fronts at the same time—Covid-19 and Brexit—is perhaps leading the EU in the right direction.

The problem is that all these changes are ad hoc and not yet a coherent part of a new visionary EU integration strategy. In November 2018, the European Commission prepared an analysis of the Eurozone economy including an EU Reform Support Programme, a European Investment Stabilization Function and a European Monetary Fund (EC 2018). A subsequent Council of the European Union document on the Eurozone (CEU 2019) and a Commission document on the 2019 European Semester (EC 2019) supplemented these initiatives without reaching an operational agreement. Further progress has been held in abeyance until the Covid-19 problem resolves itself.

The basic principle guiding the construction of a well-ordered MSTL union is that everything not explicitly prohibited in EU treaties should be allowed, if policies do not create negative macroeconomic spillovers. If there are spillovers, compensation should be given according to preestablished and verifiable rules and parameters, guided with a long-term perspective. Alternatively, a joint management of the spillovers should be explicitly part of a long-term management of the common future. If properly defined and managed, these steps could with time evolve in a true MSTL solution. Political debate will be inevitable, but the well-ordered MSTL approach lubricates the integration process, making it more flexible and effective.

Brexit and the health pandemic offer good examples of the method, while the management of the financial crisis offers a mixed perspective. In the former case, the EU was consistently capable of jointly managing a complex process. In the pandemic case, the EU is apparently moving to partially mutualize the negative effects without formally revising treaties. It merely invoked Article 122 of the consolidated version of the Treaty on the Functioning of the European Union stipulating that “Where a Member State is in difficulties or is seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control, the Council, on a proposal from the Commission, may grant, under certain conditions, Union financial assistance to the Member State concerned.” This is exactly an MSTL approach in the making, waiting for consistent drafting and institutionalization.

The advantages of the orderly MSTL approach are manifold. First, each country would be assigned a clear track, which would give transparency to the process and facilitate compliance. Second, national preferences would be clarified speeding conflict resolution. Third, ailing members would have more time to correct structural problems. Fourth, solidarity would be enhanced. In short, orderly MSTL provide the EU and Eurozone with both sticks and carrots for promoting compliance and cooperation.

8 Conclusions

In spite of its many complexities and negative consequences for both the EU and the UK, Brexit had the merit of warning the EU of its fading appeal and mounting problems. The EU management of the financial crisis was costly and ineffective, although it succeeded in keeping moral hazard at bay. Brexit confronted the EU with the need for changing track and the political possibility to do so. The UK was

for years a powerful and consistent opponent of fundamental reforms, such as the fiscal and capital markets union. Without this internal opposition, it is now easier to proceed with institutional completion of the EU. Other internal opponents, deprived of the UK key role, are now weaker, although not powerless. The Covid-19 pandemic is apparently offering a grand opportunity to proceed.

The essence of the MSTL proposal is that, lacking a political union, the member countries' institutional and structural idiosyncrasies become part of a new deal in a sustainable win–win perspective. This is particularly important and urgent in the Eurozone, where policy and institutionally based negative spillovers threaten financial stability, depress growth and make intercountry divergences permanent. The way for solving such dangers is to prolong the time horizon of both the EU and member countries and set up credible assessments, guarantees and enforcement against moral hazard through the MSTL cooperative perspective.

Although in the long run, the MSTL perspective would gain from a revision of the treaties, its experimentation and practical use easily fit the present treaties if longer term and learning by doing perspectives prevail. Moving in this direction, also serves to build trust among member countries, an essential ingredient for the success of the perspective.

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Chapter 7

‘Brexit Fissures’: Party Politics and Territorial Politics Post-2017



Stephen Day

John Major (2016) ‘The plain uncomfortable truth is that the unity of the UK itself is on the ballot paper in two weeks’ time’.

Robert Tombs (2017) ‘Brexit was a vote of confidence in our ability to shape our future as an independent democratic nation ...’.

Abstract Brexit has proved to have been one of the most disruptive and tumultuous political events in contemporary UK politics. Whether it unleashes the sort of ‘buccaneering spirits’ envisioned by its most passionate supporters, or leaves the UK languishing as an island in decline remains to be seen. The journey, to date, however, has brought with it what can best be described as a series of ‘Brexit induced fissures’ vis-à-vis the UK’s political architecture. The goal of this chapter is to highlight how those fissures have played out/are playing out in two specific domains:

- (1) The arena of party politics and the party system between 2017 and 2019 – a period when parliamentary politics looked to have reached total gridlock, but which culminated in a dramatic electoral victory for the governing Conservative Party.
- (2) The on-going push–pull struggle over the territorial integrity of the UK where talk of a second Scottish independence referendum and a ‘border poll’ in Northern Ireland continues to gain momentum.

On June 23, 2016 UK voters decided by a margin of 51.9% to 48.1 to support the termination of the UK’s membership of the European Union.¹ Three and a half

¹This chapter is not intended to be a comprehensive overview of the Brexit-saga. Its goal is more limited. I wish to make some general observations about a few key issues of this on-going story. This inevitably means sometimes simplifying complex and contentious issues as well as making large jumps in terms of the story’s timeline.

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years later, on 31 January 2020, the UK formally left the political institutions of the EU. At the time of writing, talks on the future relationship between the two sides remain on-going and it is unclear whether or not a deal can be reached before the UK government's self-imposed deadline of October 15, 2020. What is unambiguous is that the transition period that has enabled the UK economy to continue operating as part of the EU's single market, ends on December 31, 2020. While the referendum question offered a straightforward choice between 'Leave' and 'Remain', the on-going process of actualizing that choice generated/exacerbated a series of dramatic fissures across the political and territorial architecture of the UK.

It is often the case in British politics that any conversation about referenda soon recalls the oft-cited comment from Clement Attlee (Labour Prime Minister 1945–1951): 'I could not consent to the introduction into our national life of a device so alien to all our traditions'. Underpinning that assertion are procedural and philosophical questions about the compatibility of direct democracy (of which a referendum is one example) with the representative democracy associated with the Westminster model. This, in turn, takes us back to the Burkean quandary as to whether an MP is a delegate or a representative.² In the case of Brexit, the fact that the majority of parliamentary representatives had profound misgivings about the electorate's choice, resulted in them being charged, by critics, with undermining democracy. The slogan 'parliament verses the people' became a common slur against those parliamentarians. Reflecting on a comment that she heard that referendums were a 'poison injected into the bloodstream of the body politic', Helen Lewis (2018) concluded:

Ultimately, though, the poison of Brexit is a less showy one. It's arsenic, isn't it – that old favourite of vengeful nephews in Agatha Christie stories? Symptoms include nausea and irritability, and they creep up so slowly that the victims don't realise they are being poisoned until it is too late.

At that time, so much remained up in the air but one thing was clear: the UK's political architecture was struggling to contain what could best be described as a series of 'Brexit induced fissures'. During the course of this chapter, I will highlight how these fissures have impacted upon two domains of that architecture:

- (1) key features of party politics and the party system between 2017 and 2019—a period when the parliamentary arena looked to have reached total gridlock.
- (2) the territorial integrity of the UK where future developments in Scotland and Northern Ireland remain key.

²Edmund Burke stressed that while an MP should listen and take on-board the views of constituents, an MP should not be bound by those views. For him, an MP should act as a representative (ultimately make their own judgment) and not a delegate. In his famous speech to the electors of Bristol in 1774 he said: 'But his unbiased opinion, his mature judgment, his enlightened conscience, he ought not to sacrifice to you, to any man, or to any set of men living... Your representative owes you, not his industry only, but his judgment; and he betrays, instead of serving you, if he sacrifices it to your opinion'. Edmund Burke, Speech to the Electors of Bristol (November 3, 1774). Taken from *The Founders' Constitution*, Volume 1, Chapter 13, Document 7. As at <https://press-pubs.uchicago.edu/founders/documents/v1ch13s7.html>. At that time women were excluded from the right to stand or vote.

Concerning the first domain as Clarke et al. (2017: 228) put it: 'Brexit has strong potential to destabilize what is already a fragmenting and shaky party system The future of the UK polity itself may be at stake as well'. It, of course, was not meant to be like this. The UK political system with its first-past-the-post electoral system was meant to perpetuate continuity in the form of a two-party/two-and-a-half party system, strong government, and strong party leadership. In relation to the second domain, the question of Scottish independence was supposedly put to bed in 2014 after the defeat of the independence referendum and Northern Ireland's place as an integral part of the UK was unquestionable. The extreme turmoil and disruption wrought by Brexit, however, has brought all of these issues back under the political spotlight.

1 Disruption and Turmoil Within the Parliamentary System

In the wake of the 2017 election, Cowley (2018: 410) concluded that: 'Rather than delivering a "strong and stable" government, the nation ended up with a minority government and a weakened Prime Minister about to embark on the most important and complex negotiations the UK had entered in living memory.' For the next 2 years, British politics found itself totally preoccupied and perhaps, one might say, traumatized by Brexit. There is a famous meme of Austin Powers trying (unsuccessfully) to do a three-point turn in a corridor in a small motorized cart which is basically the same length as the width of the corridor. It seemed to be an appropriate metaphor. Professor Peter Hennessy, in the Radio Four series, *The briefing Room*, put it more eloquently when he spoke of the political system being 'stress-tested' like never before by Brexit. He went on to assert: 'The European question is the great disrupter of post-War British politics and, my heavens, it's a capital D disrupter at the moment' (As at <https://www.bbc.co.uk/programmes/p06w8qtg>).

During the latter stages of the second Theresa May premiership (June 2017–July 2019), as she sought to secure legislative ratification of the deal that she had negotiated with the EU, the febrile nature of the political atmosphere inside and outside of the parliament reached fever-pitch. Night after night political figures, commentators and contrarians would take to the airwaves with their view of the day's proceedings. Prime Minister May found herself caught in a pincer movement as opponents from all sides, including from within her own party, berated both her deal and the integrity of her leadership. The ferocity of the 'blue-on-blue' attacks, i.e. attacks from within the Conservative Party, completely undermined the idea of strong party leadership and left the notion of party discipline in disarray. The Labour Party, under the leadership of Jeremy Corbyn, also faced its own intra-party difficulties over Brexit but to a

much lesser extent.³ The tone of political debate at that time led one prominent news presenter/journalist Emily Mattis (BBC Newsnight, 29 January 2019) to comment:

At this point perhaps, it is wise to admit the usual contract between viewer and presenter is somewhat broken. I can tell you everything that we are told. Everything the key players have said to me. What we can't do is tell you whether they will still be saying or thinking or promising the same things tomorrow. Denials and guarantees are being broken as quickly as they are being uttered.

The subsequent impasse that arose in Parliament between the Executive and the Legislature would manifest itself most overtly in the first few months of 2019 when Prime Minister May lost three key votes (known as Meaningful Vote 1, 2, and 3) on her Brexit deal. The first vote suffered the largest defeat in parliamentary history. In addition, all sorts of unprecedented parliamentary manoeuvres, that added to the febrile atmosphere, would continue to unfold for most of the year. This included the Speaker of the House John Bercow accommodating the legislatures desire to take control of the Order Paper under Standing Order 24 (Standing Orders are the 'rules of procedure' associated with conducting the day-to-day business of parliament). One of the most dramatic events, during this timeline, occurred when Prime Minister Johnson decided to withdraw the whip from 21 Conservative MPs who had voted against the government on a motion for delaying Brexit in order to prevent a no-deal.⁴ A few days later an interesting Twitter exchange between the Health Secretary Matt Hancock and the former Chancellor Phillip Hammond (who had been one of the 21), once again, highlighted the turbulent political atmosphere. Hancock wrote: 'The Conservative party has always been a broad church shaped by those within it. Gutted to see Amber leave—but hope other One Nation Tories will stay and fight for the values we share'. Philip Hammond replied: 'Sorry Matt, I'm afraid the Conservative Party has been taken over by unelected advisors, entryists and usurpers who are trying to turn it from a broad church into an extreme right-wing faction. Sadly, it is not the party I joined' (<https://twitter.com/philiphammond/status/1170633949879635968>). Dated 8 September).

2 Electoral Turmoil and Disruption 2019–2020

Electoral, 2019 would commence with local government and European elections in May and a number of by-elections in June and August. The governing conservatives, under Prime Minister May, experienced an electoral drubbing that contributed to her

³The Labour Party would have to deal with an ongoing anti-Semitism scandal that made the front pages on and off for nearly four years. It eventually resulted in the party being placed under investigation by the Equality and Human Rights Commission (EHRC). The new (since April 4, 2020) party leader, Keir Starmer, received plaudits from the Jewish community for the way he has sought to deal with it. See 'Jewish leaders praise Keir Starmer for pledges on Labour antisemitism', *The Guardian*, April 7, 2020.

⁴Ten would later have the whip reinstated. Two would leave the party and join the Liberal Democrats.

Table 1 European election results (May 2019)

Position on Brexit at the time of the election	Political party	Percentage of the vote	Cumulative support for different types of Brexit (%)
'No-deal' Brexit	The Brexit Party	30.79	34.01
	UKIP	3.22	
Remain	Liberal Democrats	19.78	39.35
	Greens	11.78	
	Change UK	3.31	
	Scottish National Party (SNP)	3.51	
	Plaid Cymru	0.97	
Some form of soft-Brexit	Conservative Party	8.86	22.6
	Labour Party	13.74	

Turnout was 36.7%

Source 2019 European election results: UK official results. <https://europarl.europa.eu/election-results-2019/en/national-results/united-kingdom/2019-2024/>

eventual resignation on June 7. With Prime Minister Boris Johnson at the helm, and the constant repetition of the simple and memorable slogan: 'Get Brexit Done', the party's electoral fortunes would change dramatically at December's general election (see sect. 3 below). During the year, the electoral scene would also be joined by the short-lived pro-Remain 'Change UK' as well as Nigel Farage's 'Brexit Party'. Both were officially launched in April. While the former (which was formed by a small group of eight Labour and three Conservative MPs who had broken away from their respective parties) sought to secure a 'people's vote' (a second referendum) with the hope of remaining in the EU; the latter advocated what it called a 'Clean-break Brexit'. This was a euphemism for just walking away without any kind of withdrawal agreement and trading with the EU on WTO terms. The Brexit Party promised a political revolution. For a while, especially its success at the European elections (see Table 1), it looked on-course to really shake-up the political scene. In the end, however, it would fizzle out.⁵

The 2019 electoral cycle as already mentioned kicked-off with the May 2019 local elections. The outcome was a Conservative Party in electoral free-fall. It suffered the loss of 1330 of its 4894 seats leaving it with 3564. One would have normally expected the main opposition party to benefit from the governing party's woe. Yet, Labour was unable to capitalise. The party actually lost 84 seats bringing it down to 2021. It did not bode well for any forthcoming general election. Labour's riposte was to seek solace from the experience of the 2017 general election campaign. At that time, a

⁵A unique feature of the Brexit Party, compared to other political parties, was its business-like structure. It was registered as a Private Limited Company (PLC). Party members were deemed 'registered supporters'.

headline in the *Independent* (June 1, 2017) that read ‘Jeremy Corbyn goes from no-hoper to crowd-puller on the campaign trail’ captured his ability to resonate with the public—particularly the young which would go on to spawn the word ‘youthquake’. So, the argument ran that such a pattern would repeat itself at the next general election. Once the voters saw ‘Jeremy’ in the flesh and heard Labour’s message, undistorted by the media, they would turn to Labour. In terms of the electoral spoils that night, they belonged to the Liberal Democrats which gained 706 seats increasing its total to 1352. This was just the sort of momentum they wanted to take into the forthcoming European elections. In the words of the then party leader Vince Cable ‘...we go into the European elections as the clear gathering point for remainers’ (Cable 2019).

It was during the campaign for the European elections, a campaign that was never meant to have taken place because the UK should have left the EU on March 29, that the Liberal Democrats adopted the most explicit pro-Remain slogan: ‘Bollocks to Brexit’.

The clear winners at the European elections were the Brexit Party. It championed the cause of a ‘no-deal’ Brexit. It was not, however, a message that resonated with a majority of those who voted. A plurality of voters had backed parties supporting a remain position. While even the soft-Brexit message of the Conservatives and Labour attracted nearly a quarter of voters. That could not, however, hide the fact that the Conservatives had just experienced their worst ever result in the party’s long history.

Given the success of the Brexit Party at the European elections and the publicity that it generated, the bookmakers (who are seldom wrong) marked them as the favourites to take the seat of Peterborough at the June 6 by-election. It was a constituency where the previous Labour MP had to relinquish her seat over a criminal conviction and the constituency voted 61% in favour of Brexit back in 2016. Labour, however, drawing upon a strong ground operation and a campaign focused on local issues was able to hold the seat—taking 31% of vote (down 17% on the 2017 general election) compared with 29% for the Brexit Party. The Conservative Party came in third with a 21% vote share (down 25 points on 2017). It was an outcome that may well have lulled Labour into a false sense of security. Anecdotal evidence would later point to an ill-prepared and chaotic general election campaign that proved unable to hold, amongst many others, the Peterborough seat.

A couple of months after the Peterborough by-election, the first electoral test for the new Prime Minister, Boris Johnson, would be played out in the Welsh constituency of Brecon and Radnorshire on August 1. The by-election came about as a result of the sitting Conservative MP being recalled due to an electoral expenses violation. It was a seat that had swung between the Liberal Democrat and the Conservatives for the past 40 years. In 2017, the Conservatives won it with a vote share of 48.6%. This was nearly 20 points ahead of the second place Liberal Democrat. This time round, the constituency was privy to the first incarnation of a tentative pro-Remain electoral alliance. Both Plaid Cymru and the Greens decided not to stand a candidate in order to give the Liberal Democrats a better chance of success. Vince Cable had previously mooted the idea of electoral co-operation in the wake of the local elections, as a possible pro-Remain strategy for a forthcoming general election:

Yet seizing the opportunity will be about more than brands and rhetoric. It takes infrastructure, volunteers and sheer hard work. The first-past-the-post system makes a general election an existential threat to any force which doesn't have a serious ground campaign. Meanwhile, the more competitors there are on the same territory the greater the risk that, by failing to hang together, we all hang separately (Cable 2019).

The idea of a sustained and comprehensive electoral alliance, however, would fail to gain any real traction as the Labour party could not be brought on-board. On this occasion, though, the Brecon and Radnorshire seat would be taken by the Liberal Democrats with 43.5% of vote compared with 39% for the Conservatives. The Brexit Party's 10.5% highlighted that splitting the 'Leave vote' could be costly and it was likely to have been a factor contributing to Nigel Farage's decision, in early November, to no longer field a candidate, in the forthcoming general election, in any constituency held by a Conservative MP (remember the Conservatives under Boris Johnson had adopted a much harder Brexit position compared to his predecessor). Interestingly, the Conservatives would win the Brecon seat back four months later at the December general election with 53.1% of the popular vote compared with the Liberal Democrats 35.9%.

3 December 2019: The Brexit Election

Back in 2015, the traditional dominance of the two-party system *was* coming to an end. The outcome of the election gave the Conservatives and Labour a 67% share of the popular vote. At its highpoint, in 1951, their combined total had been 97%. At the time, Dunleavy (2015) highlighted the fact that 'So Britain now is pretty much *exactly like* every other multi-party system across western Europe' (Italics in original). Two years later, though, Labour and the Conservatives secured 84 percent of the popular vote. In mid-2019 fragmentation, once again, appeared to be returning with a vengeance. Opinion polls were indicating a four-way split stemming from a resurging Liberal Democrats and the newly emerging Brexit Party. A YouGov (2019) tracker poll of Westminster voting intentions in early June, for example, gave the Brexit Party 26% followed by Labour and the Liberal Democrats on 20%, the Conservative Party on 18% and the Greens on 9%. In an atmosphere of fragmentation, the suggestion that an election could be won with approximately 30–33% of the popular vote began to emerge and undoubtedly impacted upon party strategies vis-à-vis the types of campaigns and messaging necessary to secure such a figure.⁶

The December general election would prove to be an election dominated by Brexit much to the irritation of Labour. At one stage, their desire to downplay the Brexit dimension led them to send a complaint to SkyNews who were framing it as 'The Brexit election'. Voters in *vox pop* interviews appeared to take the view that the

⁶Back in 2005, Tony Blair's third term in office was secured with the lowest ever share of the popular vote at just 35.2%.

social issues that Labour were campaigning on were important, but that Brexit overshadowed everything. Basically, until it was completed Brexit had to be the priority. Because of the division amongst Labour supporters, particularly in the north of England where the support for Leave amongst traditional labour voters was high, the party sought to triangulate a position between its Remain and Leave camps via an anti-austerity message. Jeremy Corbyn had laid out the line at the beginning of the year in a speech in the Labour heartland of Wakefield (January 10) where a majority of the electorate had voted Leave. In the post speech Q&A with the media he stressed: ‘The whole point of the speech that I made today is that you can bring communities together on a policy of social justice and a policy of investment and a policy of bringing this country together’. The message though failed to resonate. Take this SkyNews interview (December 3, 2019) with a long-standing traditional Labour voter. Former Trade Unionist David Pearce (82), a strong leave supporter, was for the first time in his life thinking of voting Conservative:

When I go up to see St Peter, I don’t know whether he will let me in or not. ...I don’t feel good about it...I feel a little bit of a traitor but if you’re so adamant about your beliefs you have got to take a decision. And sometimes it is not what you want to do.

Labour would go on to suffer an electoral meltdown dropping to its lowest number of MPs since 1935. The Brexit Party was wiped off the map not least because Boris Johnson and his promise of ‘getting Brexit done’ by October 31 ‘do or die’ took the wind out of their sails. It was a dramatic victory for the Conservative party as Table 2 highlights.

Table 2 2019 general election results

Party	Seats (compared with 2017)	Vote share % (compared with 2017)
Conservatives	365 (+47)	43.6 (+1.2)
Labour	203 (–59)	32.2 (-7.8)
Liberal Democrats	11 (–1)	11.5 (+4.2)
Scottish National Party	48 (+13)	3.9 (+0.8)
Democratic Unionist Party (Northern Ireland)	8 (–2)	0.8 (–0.1)
Sinn Fein (Northern Ireland)	7 (no change)	0.6 (-0.2)
Plaid Cymru (Wales)	4 (no change)	0.5 (no change)
Social Democratic Labour Party (Northern Ireland)	2 (+2)	0.4 (+0.1)
Green	1 (no change)	2.7 (+1.1.)
Alliance Party (Northern Ireland)	1 (+1)	0.4 (+0.2)
Brexit Party	0	2 (+2)

There are also a plethora of other parties/single issue groups that stood candidates across different parts of the UK but received less than 0.1% of the vote and failed to gain any seats

Source <https://www.bbc.com/news/election/2019/results> (accessed December 20, 2019)

In a widely circulated speech, a week after the election, entitled 'Labour's Historic challenge' Tony Blair (2019) argued that the party had:

...pursued a path of almost comic indecision, alienated both sides of the debate [Leavers and Remainers], leaving our voters without guidance or leadership. The absence of leadership on what was obviously the biggest single issue facing the country then reinforced all the other doubts about Jeremy Corbyn.

Blair was referring to the fact that the electorate was still perceiving itself in terms of its 'Brexit identity' (whether one was a 'Leaver' or a 'Remainer') rather than more traditional/historical party identities (Hobolt et al. 2019). It remains to be seen whether or not voters return to this more traditional pattern in the years ahead.

In Scotland and Northern Ireland, the election outcome, combined with the certainty that the passage of the EU Withdrawal Agreement Bill, leading to the 31 January 2020 departure, was now assured would further fire-up calls for independence. It would also exacerbate Unionist fears about Northern Ireland being cast adrift.

4 Fissures at the Territorial Level

The territorial dimension associated with the Brexit story was rarely spoken of during the 2016 referendum campaign but as the quotation from John Major at the start of this chapter suggests it should have been. It would emerge, not only, as a central element of UK–EU negotiations (issues surrounding the Irish border/Irish protocol) but would also become an existential issue vis-à-vis the future of the UK as a political entity. It is worth remembering that in the letter that Prime Minister May sent to Donald Tusk (President of the European Council) to formally trigger the legal process of leaving the EU (triggering Article 50) in March 2017 she stated '...it is the expectation of the Government that the outcome of this process will be a significant increase in the decision-making power of each devolved administration' (May 2017). In July of that year, with the publication of the European Union (Withdrawal) Bill, the devolved institutions expressed consternation at the gap between May's rhetoric and what they perceived to be the legislative reality. In a joint statement, the First Minister of Scotland Nicola Sturgeon and First Minister of Wales Carwyn Jones concluded that the Bill was:

...a naked power-grab, an attack on the founding principles of devolution and could destabilise our economies.... On that basis, the Scottish and Welsh Governments cannot recommend that legislative consent is given to the Bill as it currently stands (July 13, 2017. <https://news.gov.scot/news/eu-withdrawal-bill>).

In the 2014 independence referendum, the electorate in Scotland voted by a margin of 55–45% in favour of remaining part of the UK. At that time, a central plank of the 'Better Together' (pro-UK) campaign was the importance of EU membership and the benefits that Scotland garnered from being part of the UK which was part of the EU. With Brexit that was no longer the case. This new reality triggered the

Scottish National Party's (SNP's) stated position that an event that constituted a 'significant and material change' to Scotland (which Brexit was, in their opinion) would justify the holding of a second independence referendum. In addition, in the Brexit referendum the Scottish electorate had shown a clear desire (62–38%) to remain. Brexit, therefore, for many in Scotland looked very much like a project 'made in England' where voters sided with Leave by 53.4–46.4% (see Henderson et al. 2017). As Stephens (2019) wrote: 'Scots are paying the price of a reckless gamble to make it easier for Mr. Cameron to handle the rising English nationalism in the Conservative Party. Brexit was an English project'.

Fast forward to the December 2019 general election. For the SNP, the result which saw them secure 49 seats out of the 59 Scottish electoral constituencies – up from 35 in 2017 – meant that Boris Johnson and the Conservative government had no right to stand in the way of a Section 30 request. Section 30 is the part of the Scotland Act 1998 that necessitates a legislative greenlight from the UK government before the Scottish Parliament can commence the legislative process required to hold a referendum. Conservatives, and other supporters of the Union, however, continually stress that the 2014 referendum was a once in a generation event. Keating (2018: 48) though questioned whether the constitutional framework that has granted devolved status to Scotland, '...having survived the test of an independence referendum in 2014' is 'strong enough to survive the test of Brexit'.

In the case of Northern Ireland, voters also backed remaining in the European Union by a margin of 55.8% to 44.2. But as McGowan (2018: 105) put it:

The status quo that Northern Ireland enjoyed as a member of the EU goes after Brexit. There are economic challenges ahead, but it is the political realm where the impact may be greatest. Relations between the two main communities will be tested and ultimately, Brexit has brought the prospects of Irish unification a little closer.

At least in one respect, however, everyone was agreed: there should be no return to a hard border. As a symbol of 'The Troubles' the idea of a 'hard-border' conjured-up lingering fears of a return to smuggling and violence. Violence that would, once again, rear its ugly head with the murder of the journalist Lyra Mckee in April 2019.

As a result of the 1998 Good Friday (Belfast) Agreement (GFA), the dismantling of customs and security checks at designated border crossing points between Northern Ireland and Ireland became a potent symbol of change. Cross-border economic cooperation (via the facilitation of an all-Island economy); the North–South Ministerial Council; as well as civil society initiatives and a right for anyone born in Northern Ireland to self-identify as British, Irish or both, etc., were all aimed at building peace, stability and reconciliation. The GFA was also responsible for the creation of the Stormont-based power sharing Northern Ireland Executive and parallel Assembly to which it is accountable. The Executive is responsible for large swaths of public policy. Dominated by the political forces representing the two main political communities (Unionists and Nationalists), it also included parties that have adopted a non-aligned cross-community political identity. Given that Brexit raised the spectre of a hard-border it was like a fly in the ointment of this carefully crafted arrangement. In order to avoid any type of land border and to continue to uphold the principles of

the GFA it would require a very specific set of measures, as laid out in the revised 63-page Protocol on Ireland/Northern Ireland that was part of the updated EU–UK Withdrawal Agreement which was finalized in October 2019 (see Revised Protocol 2019) (see below).

In terms of the party politics of Northern Ireland, for much of the Brexit-saga, the Democratic Unionist Party (DUP), the largest political voice of the Unionist community which supported Leave, was front and centre. It had carved out a powerful political role for itself in Westminster as a result of its 'confidence and supply' agreement with the governing (minority) Conservative party. Sinn Féin, the largest party representing a sizeable majority of the nationalist community, which supported Remain, does not take its seats in the UK House of Commons. This meant that the party's take on Brexit was rarely heard in the wider UK debate unlike the DUP's. All along, the bottom line for the DUP was that Northern Ireland should be treated as an integral part of the UK. It was that position which in late 2017 forced the May government to reject the EU's offer of a Northern Ireland only backstop. It would have established an East–West border down the Irish Sea. At that time Arlene Foster, DUP leader, stated:

We will not accept any form of regulatory divergence which separates Northern Ireland economically or politically from the rest of the United Kingdom. The economic and constitutional integrity of the United Kingdom will not be compromised in any way (Statement released on Twitter December 4, 2017. <https://twitter.com/DUPleader/status/937692999697485825>).

The problem for Prime Minister May though was that the option she chose to replace the EU's offer – the UK wide backstop – became the totem around which the Eurosceptics in her party coalesced and militated against her and her deal.

For the DUP, the arrival of Boris Johnson into Number 10 Downing Street, did not ring any alarm bells. He had received a rapturous welcome at their Congress in 2018 where he reaffirmed his commitment to the Union and stirred their hearts with his rhetoric (Johnson 2018). The DUP also had a UK government policy paper from 9 January 2019 entitled 'UK Government commitments to Northern Ireland and its integral place in the United Kingdom' from which it could take comfort. Their world, however, would soon be turned upside down. First, by the deal that Prime Minister Johnson negotiated with the EU in October. Second, the outcome of the December general election which meant that they were no longer needed to prop-up a minority Conservative administration. Concerning the negotiated deal (Withdrawal Agreement), the new Ireland/Northern Ireland Protocol rowed back on his prior commitment to the DUP not to allow an East–West border between Northern Ireland and Great Britain. As a result, it pegs Northern Ireland to specific rules and regulations of the EU single market in goods and agriculture. This was the price Johnson was prepared to pay in order to ditch the UK-wide backstop. Although the Protocol included a new consent mechanism that affords the Northern Ireland Assembly a say over the continuation of the arrangement after 4 years, this only requires a simple majority which further weakens the voice of Unionists who no longer constitute a majority in the Assembly. For the DUP, and the wider Loyalist community, Prime

Minister Johnson's deal amounted to a complete betrayal. For months afterward, though, Johnson continued to deny that an East–West border would necessitate any need for checks or paperwork (beyond already existing checks such as checks on live animals). Even when surrounded by the splendour of the interior of Stormont Castle, with as he put it 'the hand of the future beckoning us all forward' he said: 'I cannot see any circumstances whatever, in which there would be any need for checks on goods going from Northern Ireland to GB' (January 13, 2020 press conference). In the middle of May, it was reported that the 'British government has confirmed it will urgently put in place detailed plans with the [Northern Ireland] Executive, which does include the physical posts at ports of entry' (Quoted in 'Brexit: Unionists react with dismay as Irish Sea border 'now a certainty', *Irish Times*, 14 May 2020). So, with the coming Irish-Sea border, checks and tariffs and extra paperwork (such as exit declarations) on goods between Great Britain and Northern Ireland (and vice versa) will become the new normal. Events in mid-September, however, following the UK government's publication of the *Internal Market Bill* has temporarily, at least, upended that certainty and caused a diplomatic spat with the EU and uproar within the Conservative Party.

5 Concluding Remarks

The period of party fragmentation over Brexit is now over. So many of the players who graced the TV screens night after night in the wake of the referendum have now either departed from the political spotlight or have been consigned to the political wilderness. The Brexit Party fizzled out, while the Liberal Democrats are finding it difficult to reorient themselves after the election. An internal review of their general election performance described their campaign as a 'high speed car crash' (Liberal Democrats 2020: 13). The Conservatives elected a new leader, expelled their rebels, got a deal, won the election, formed a strong government and implemented that deal. The government, however, is presently engaged in what appears to be a rather bruising encounter, for both sides, as UK and EU negotiators seek to finalise a future trade deal before the middle of October. In addition, the government's (and Prime Minister Johnson's) handling of the covid-19 crisis, as well as the performance of the new Labour leader Keir Starmer as he seeks to turn around the party's fortunes has seen the gap in support between the two parties narrow dramatically. By early September, the Conservative lead was fluctuating between 1 and 3%. Starmer's performance has also seen him edge in front of Johnson as the best person to be prime minister (YouGov Poll in *The Times*, 7 August 2020). Interestingly though, unlike other opposition party leaders, Starmer is not backing the idea of calling for an extension of the future trade talks (*The Independent* 11 May 2020). The DUP have returned to the Northern Ireland Assembly and the power-sharing Executive which is up and running after a three-year hiatus. Some party figures now seemed resigned to the way Brexit has panned out. Christopher Stalford (Member of the Legislative Assembly for the DUP), for example, was quoted as saying:

It is bittersweet for me. I campaigned for Brexit and supported leaving the European Union but unfortunately the terms of the Withdrawal Agreement places my part of the UK under different conditions to the rest of the UK... I always had one view on Brexit which was we went in as one UK and we should leave as one UK (Interview on BBC News Channel, 31 January 2020).

While the turmoil within the party system has abated (at least for the time being), the fissures that surround territorial politics remain unabated. In the case of Scotland, Nicola Sturgeon continues to press the case for a second referendum. At a press conference on January 31, 2020 she indicated that she had asked the Electoral Commission 'to retest the question: "should Scotland be an independent country"' which had been on the ballot paper in 2014. In the case of Northern Ireland, Mary Lou McDonald (Sinn Féin President) stated, during the official announcement that the party would be returning to Stormont, that:

At these historic times we will also work for Irish reunification. And we want to ensure that the criteria for ensuring the triggering of an Irish unity poll are set out and the planning for Irish unity is stepped up including the convening of a national forum to discuss and plan for the future (Stormont, 10 January 2020).

In both Scotland and Northern Ireland, therefore, the groundwork for independence continues to be laid. However, in both cases nothing can happen unless the UK government grants the legal authority for a referendum/border poll to be held. Added to that is the fact that any eventual referendum has to be won. In January 2020, a YouGov poll put support for Scottish independence at 51%. But it also indicated that the SNP still needs to convince the electorate that the time is right for a new referendum (YouGov 2020). By September numerous polls had put backing for independence around the 53-54% mark. A poll in early 2020 in Northern Ireland put support for reunification at 32% (Tonge 2020). Hence advocates for independence from the UK still have a lot of work to do in order to convince their respective electorates of the merits of their vision. In the short term, though, everything hinges on December 31, 2020—the next staging-post in the Brexit saga. The lack of a future trading deal with the EU will undoubtedly amplify existing, and reawaken dormant, fissures. Even with a deal, in whatever shape or form, the UK will still be entering uncharted waters.

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Chapter 8

Hopes and Fears in a Pre- and Post-Brexit Britain



Sarah Harrison

Abstract In 2016, the surprise successes of the UK Vote Leave and Donald Trump's Presidential campaigns defied most expectations. In different ways, both events have arguably transformed the political landscape with lasting effects. However, these electoral outcomes have also raised important questions about what has changed in the political psychology of voters and, indeed, of nations. In particular, the significance and intense emotionality of the unique EU membership referendum undoubtedly provide a fascinating insight into British citizens' hearts and minds. This chapter presents the findings derived from a panel study of three consecutive mass surveys conducted with the same respondents prior to and then after the referendum on the UK's membership of the European Union that took place on 23 June 2016. Analysis of the quantitative and qualitative data is used to highlight the intricate complexities of this remarkable vote and the findings reveal that there is unprecedented polarisation and division within communities. This chapter concludes by discussing the wider implications of these findings within a similarly challenging context for the global political status quo.

1 Introduction

In 2016, the surprise successes of the UK Vote Leave and Donald Trump's Presidential campaigns defied most expectations. In different ways, both events have arguably transformed the political landscape with lasting effects. However, these electoral outcomes have also raised important questions about what has changed in the political psychology of voters and, indeed, of nations. In particular, the significance and intense emotionality of the unique EU membership referendum undoubtedly provide a fascinating insight into British citizens' hearts and minds.

This chapter presents the findings derived from a panel study of three consecutive mass surveys conducted with the same respondents prior to and then after the referendum on the UK's membership of the European Union that took place on 23

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June 2016. The three-wave panel study included a representative sample of 3000 respondents, featured 300 variables, and was conducted at three critical time points during the referendum campaign (late April, late May, and the day after the referendum). Analysis of the quantitative and qualitative data is used to highlight the intricate complexities of this remarkable vote. The questions were designed to probe perceptions, expectations, and projections of the likely economic, social, and political consequences. There is substantial evidence of polarisation and division within communities on a level that is arguably unprecedented and has rarely been seen before on this level. This chapter concludes by discussing the wider implications of these findings within a similarly challenging context for the global political status quo.

Over the last 10 years, the research team of the Electoral Psychology Observatory at the London School of Economics and Political Science have conducted in-depth empirical research to gain a better understanding of citizen psychology during critical moments of an election campaign. Their research examines the psychological mechanisms that are triggered in voters' minds during the campaign, at the very moment when citizens are casting their ballot, and after an election. Their findings have shown, for example, that in most elections, 20–30% of voters only make a final decision within a week of the vote, half of them on Election Day. Moreover, more than a quarter of citizens have cried because of an election (Bruter and Harrison 2017a, 2020). The increasingly important role of emotions in voting has also revealed widespread hostility among voters during the Brexit referendum and US Presidential election, not only towards politicians and the political system but also towards fellow voters (Bruter and Harrison 2020).

These findings have underlined how emotions can play a fundamental role in elections and that divisions within society are increasingly witnessed across established and emerging democracies. A case of example is presented by the 23 June UK Referendum on EU membership (which is now commonly referred to as Brexit). The highly fractious debate split the country into two visibly opposed camps. The unexpected result of a Leave victory has contributed to entrenched tension and presented more questions than it has answered with far-reaching implications not only within the UK and the European Union but also all across the world.

Throughout the course of this chapter, we will explore some of the key findings derived from a series of mass surveys we conducted during the campaign leading up to the Referendum and in the weeks following the vote.¹ We will explore some of the striking observations that tell a story of division and polarisation within British society as a result of this vote. Moreover, one of the most interesting observations pertains to the fact that we have been able to track the endurance of these fractures

¹The survey was designed by Michael Bruter and Sarah Harrison at the Electoral Psychology Observatory. It was conducted in collaboration with Opinium. The first wave of the panel study was fielded 22–28 April 2016 (3,008 respondents), and 17–19 May 2016 (2,111 respondents, i.e. 70.2% of the original sample), and a third wave on Referendum Night 23rd June 2016. More information on the methodology and other findings derived from this data can be found in the report 'The Impact of Brexit on Consumer Behaviour' https://opinium.co.uk/wp-content/uploads/2016/08/the_impact_of_brexit_on_consumer_behaviour_0.pdf.

over time as we highlighted some additional insights from a series of surveys, we conducted during the UK General Election on June 8 2017.

2 Before the Vote: Apprehension and Uncertainty

The referendum on the UK’s membership of the EU was widely regarded as an incredibly important vote with far-reaching consequences not only within the UK but also to the extent that the result would likely impact countries far beyond the shores of Britain. In this respect, we asked respondents of the survey that we conducted prior to the vote to rank some recent elections from most to least important for the UK. Overall, Table 1 shows that a vast majority of respondents view the June referendum on EU membership as the single most important vote for the UK in a generation (54%). Over 80% see it as one of the top three votes to take place during recent years.

Whilst the vote itself was perceived to be historic, with notably important consequences for all concerned, it was also characterised by a very negative campaign from both sides of the debate. In terms of the messages and the tone of the campaigns, the Leave supporters played upon the perceived fears and insecurities that many citizens in the UK were feeling as a result of an extended period of austerity, high levels of unemployment, and failed immigration policies. The Remain campaign instead focused on the more ‘rational’ side of the arguments highlighting the more technical aspects of EU membership without really appealing to the more cultural value of this shared community. In order to illustrate, the opposing discourse of the two campaigns we used an open-ended question to capture the unprompted reactions of respondents. We asked participants to report the words that they spontaneously thought of when imagining a Remain or a Leave outcome in June. These references are illustrated by a word clouds in Fig. 1. While both Remain and Leave outcomes attract a mixture of positive and negative spontaneous references, it is quite clear that a Leave victory feels significantly more threatening to respondents as a whole with two of the top three categories being negative and focusing on fear and danger. All of the negative elements associated with leaving the EU pertain either to the future state of the countries (risk, disaster, chaos, conflict, etc.) or implicitly perceived to be a

Table 1 The most important vote in a generation

The most important vote for our nation	Ranked top	In the top 3
The 2016 EU Referendum	54	81
The 2015 General Election	13	58
The 1975 EEC Referendum	12	50
The 2014 Scottish Independence Referendum	9	48
The 2016 Local Elections	7	31
The 2011 Referendum on the electoral system	5	31



Fig. 1 Word clouds based on frequencies of references to Remain and Leave victories

criticism of the Leave voters (foolish, stupid). By contrast, negatives associated with remaining within the EU pertain to problematic policy issues (such as immigration) or negativity towards the politicians and elites who are perceived to be biased and untrustworthy.

It should, however, also be noted that on the whole, these references are far more positive compared with our findings of similar association questions in the context of UK General elections in 2010 and 2015 as well as the 2011 referendum on the proposal of an Alternative Voting electoral system. It is also particularly interesting to note contrary to the substantive messages of the official Remain campaign, citizens privilege references to the idea of the shared community more than the ‘technical’ benefits that are often associated with EU membership. Indeed, these overwhelmingly positive references highlight unity, being part of a community, strength, and solidarity are in fact significantly higher than references to prosperity, wealth, etc. which do not feature in the top 10 references. This suggests that perhaps the campaign led by the Remain camp grossly underestimated the shared cultural value and importance that British citizens feel for the European Union. In a way, the reliance of the Remain campaign on highlighting the more technical aspects of membership was largely misplaced as it failed to capture the hearts and minds of Britons who were inclined to vote Remain and that were just as emotionally involved in the referendum as their counterparts on the opposing side.

3 Electoral Identity in the Referendum: Two Alternative Roles of the Voter

A central theme in our analysis of the elections we have studied as part of the large scale electoral psychology project is a question that pertains to voters’ electoral identity (Bruter and Harrison 2020). We ask voters to imagine that the election in question is the final match of the football world cup (or whatever sport is deemed to be the national sport) and that the parties are the players of the teams competing to win the game, in this context we ask the voters whether they see themselves as referees or supporters. The two roles have quite different parts to play within the game and can influence how they perceive the election and their electoral identity.

Table 2 Electoral identity: referees or supporters?

	Overall	By age group		
		18–39	40–64	65+
Referees*	15	20	12	12
Supporters*	42	35	44	49
Neither/Both*	43	45	44	39

Notes Referees represent the total of ‘mostly’ and ‘definitely’ a referee, Supporters the total of ‘mostly’ and ‘definitely’ a supporter and the Neither/Both total the total of those who answered ‘neither’ and ‘a bit of both’

In the context of this Referendum, Table 2 shows that a majority of voters see themselves as ‘supporters’ rather than ‘referees’. This finding contrasts to what we usually witness in General Elections, whereby a majority of voters see themselves as referees. This suggests that voters are typically have stronger preferences on the issue of whether we should be ‘in’ or ‘out’ of the EU compared with their stance towards political parties competing for their vote.

At the same time, however, we should also note that even more than in traditional elections, respondents demonstrate a clear perception that a responsibility is weighing on their shoulders. This is notably observed when we asked them about their main fear in the context of the vote using an open-ended question, and a very significant proportion of the people whom we surveyed replied that they were very worried about making the wrong decision.

As a consequence of this burden of responsibility, the Referendum was also perceived to be largely concerned with socio-tropic projections. In this sense, the Table 3 shows below when arbitrating between the decisions associated with voting for what they believe will be best for them and what will be best for the country, the latter clearly took precedence.

This is true both when we ask the question directly (as above) and when we measure it indirectly by checking which of the perceived best result for the individual or the perceived best result for the country is the best predictor of a respondent’s voting intention. The majority of people would likely think about other people (versus themselves) the rest of the country when making their decision (73%), children (68%), and the poor (59%). Just over half of the respondents (55%) report they will

Table 3 Socio-tropic versus ego-centric evaluations

	British people	Children	British companies	The poorest	Yourself	The elderly	The world	Europeans
Main concern/a lot	73	68	61	59	55	48	41	33
A little/not at all	27	32	39	41	45	52	59	67

vote according to what they believe is best for themselves. These findings reveal the weighted sense of responsibility and burden on people's shoulders to 'make the right decision' in this historic referendum that would influence and shape the path of the country forever. In particular, voters give greater emphasis to the generation of today's children than to their own or the elderly (68% for the generation of today's children and only 48% for the elderly). This finding is also echoed by the finding that respondents typically reported that remaining in the EU would be better for younger people than for older ones, whilst a Leave result would be a more favourable outcome for older citizens than for young people.

We have seen from the findings highlighted above that the decision on how to vote in the referendum is an extremely important choice and is influenced by highly emotional and projective considerations. In the next section, in order to better understand the implications of these evaluations, we discuss the various aspects that respondents would miss if the UK were to leave the EU.

4 Aspects of EU Membership that British Citizens Would Miss if the UK Were to Leave the EU

We find that European identity is largely focused on a daily practice of citizenship rather than more abstract attributes of European integration. While many politicians speak of peace (positive) or bureaucracy (negative), prosperity (positive) or inefficiencies (negative), the vast majority of citizens see the European Union through the rights and duties that it gives them and the way in which it impacts upon their everyday life.

With this in mind, we asked respondents which aspects of being European citizens they would or would not miss if Britain chose to leave the European Union in June. The most interesting aspect of this question is that it reveals two different layers of rights and privileges:

- A series of secondary citizenship rights, typically more social or practical (medical coverage, consumer protection, right to freely carry goods within the EU, etc.) and which are largely reported to be important across age groups;
- A series of more intense primary citizenship rights (living, working, or studying anywhere in the EU, being part of a political community, EU passport), which would be particularly missed by the younger voters, but much less so by older voters.

From these findings displayed in Table 4, we can see that young people aged 18–39 place the highest emphasis on potentially missing the right to live anywhere in the EU, work or study anywhere in the EU, and three-quarters of them would also miss having a European passport or being part of a unified human community of Europeans. However, less than 50% of those aged 55 and over would miss any of these aspects of EU membership.

Table 4 Aspects of EU membership that UK citizens would miss in the case of a Leave victory

	18–24	25–39	40–54	55–64	65+
The right to live in another EU country	86	78	56	45	44
Being able to bring back anything when travelling within the EU	84	77	61	52	50
No mobile phone roaming surcharge across the EU	84	77	56	47	44
The possibility to make large purchases anywhere in the EU	83	72	53	44	43
Benefitting from EU consumer protection	82	81	67	59	55
The right to medical treatment anywhere in the EU	80	84	68	65	66
The right to work or study in another EU country	77	78	51	39	36
Holding a European Union passport	77	72	44	35	32
Feeling part of a large human community	76	71	53	42	42
The ability to appeal to the European Court of Human Rights	75	78	57	53	47
The right to vote in local elections anywhere you live in the EU	72	67	43	35	32
The presence of nurses and waiters from other EU countries	71	71	52	52	58
The right to vote in European Parliament elections	67	64	42	34	29
Symbols like the flag, anthem, etc.	55	55	31	22	23

By contrast, while such elements as consumer protection, being able to bring back goods from anywhere in the EU and medical protection across the EU territory are of less concern to the younger generation of voters, they would be missed by all generation. This is particularly true of EU-wide medical protection which would be missed by two-thirds of the voters aged 55 and above. It is also worth mentioning that a majority of all age groups, including the oldest ones, would also miss the presence of waiters or nurses from all over the EU in their daily life, which is in interesting contrast with the generally negative views expressed towards immigration as a generic concept.

It is also interesting to note that when we disaggregate the results by intended vote, a majority of those who are unsure of how they will cast their ballot on 23 June would typically miss most existing EU citizenship rights at least to some extent, which seems to bring them closer to EU supporters on the value of existing EU-related rights.

With the country divided on the issue of the whether to Leave or Remain in the EU, the Referendum result would determine which side would be de facto victorious. However, the fact that the debate had split the country along divisive lines, meant that there were explicit concerns that whichever way the result would go, the implications of leaving the EU would be far-reaching and affect every detail of daily life. The next section looks at precisely this issue by asking respondents about who they would perceive to be the expected winners and losers of the Referendum.

Table 5 Winners and losers in the case of a leave victory

	18–24	25–39	40–54	55–64	65 +
People like me	–26	–15	0	+3	+20
Young people	–26	–13	–1	+10	+16
Unemployed	–18	–7	+1	+3	+16
Middle class	–17	–10	0	+3	+12
UK Business	–14	–15	–8	–3	+7
Elderly	–11	–7	0	+1	+9

5 Perceived Winners and Losers of the Referendum

Table 5 shows that in terms of the losers and winners of the Referendum, quite unsurprisingly, respondents tend to rationalise their predictions with their expected vote, so that the most pro-Remain generational group, 18–24 year old’s tend to think that everybody would lose out in the case of a Brexit, whilst the most pro-Brexit demographic category, over 65 year old’s believe that every category of British people would in fact be winners.

What is more paradoxical, however, is that when hierarchy between categories, the more individual categories are seen by young voters as standing to lose from a Brexit outcome, the more it is claimed that they would gain from it by elderly voters. In that sense, for 18–24 year old’s, the main losers would be—in that order—people like the respondent, young people, the unemployed, and the middle class, and these categories, in the exact same order would actually be the main beneficiaries of a Brexit vote according to 65 year old’s and over.

In summary, it was clear from the findings derived from the surveys we conducted prior to the referendum that citizens were fully aware of the importance of this vote and there was a sense that nothing will be the same after the vote (whichever way the result went). This perceived ‘weight of responsibility’ was acutely reflected in the responses and underlines the fluidity and intensity in the emotions, divisions, and future projections of the UK electorate.

6 The Unexpected Outcome

As we have seen from the above discussion, this Referendum was unique in its importance for the future of Britain’s place not only within the European Union but also its standing on the global stage. With polls predicting a result too close to call, the stakes were extremely high, and all eyes were watching to see which way the result would swing. As a result, the atmosphere of Election Day was electrifyingly tense with expectation and apprehension. The sense of the weight of responsibility that

most voters felt was almost tangible. The fractious campaign had split the country into two opposed camps, and it was now time to see which side would be victorious.

The result was 52% versus 48% in favour of Leaving the European Union. The victory of the Leave camp was largely unexpected, and reverberations of this shock were felt all across the world. Turnout was particularly high at 72% illustrating that the nation fully acknowledged and recognised the importance of this momentous occasion. On the whole, Leave won the majority of votes in England and Wales, while every council in Scotland saw Remain majorities. Striking geographical divisions were illustrated by further analysis of the results. Many large urban cities led the vote to Remain, whilst many suburban and rural areas preferred to vote Leave. London exemplifies this trend. The capital was depicted as ‘an island of Euro-enthusiasm amid a south-east that was mostly resolved to quit’ (The Guardian 2017). The majorities for Remain in some inner-London boroughs were overwhelming: for example, 75% of the vote in Camden and 78% in Hackney. Outside of the city, to the south, Sutton voted 54% for Leave, as did Barking and Dagenham, where 63% voted to Leave (The Guardian 2017). In addition, in cities where universities are dominant—Norwich, Bristol, Brighton, and especially Oxford and Cambridge, the Remain vote was arch-dominant with votes often reaching over 70%. In the North of England, the picture was less clear cut, several big cities—including Leeds, Manchester and Liverpool—voted largely to Remain, while the Leave vote was significantly dominant in smaller cities and towns like Wigan, St Helens, Doncaster and Barnsley.

The tensions and strains that were experienced during the campaign followed through to Election Day and the days that followed the vote. It was undoubtedly one of the most emotional votes of recent memory. One of the most remarkable findings derived from our survey captured this emotionality. We found that one-third of Brits claimed they had tears in their eyes when they discovered the result of the Referendum (Bruter and Harrison 2020). We often presume as political scientists that citizens do not care about elections and that many who do turnout on election day are dutifully carrying out their civic responsibilities, but this result perhaps sheds some substantial doubt on this assumption. People who do not care do not cry (Bruter and Harrison 2017b). With this striking result in mind, we move on to the next section to discuss the consequences that could be observed in the days and weeks after the result in order to better understand the complexities of this historic vote.

7 The Aftermath of the Vote

Usually in elections, we observe a ‘honeymoon’ period after an election, when the various groups that campaigned get together and there is a general sense of consensus that emerges between winners and losers that the national interest should be served and that unity and cohesion should be prioritised. Yet, in the case of the Brexit referendum, there has been no ‘healing’, no coming together of the groups, the Leavers and Remainers are still distinct groups with very different and opposed views on how the future should be directed. The divisions remain and the hostility

expressed towards one another during the campaign strikingly, our findings show that 51% of respondents confessed to feeling anger towards people who had voted differently from them, and 46% even expressed some disgust (Bruter and Harrison 2020). This is obviously a concern but also reinforces this perception of emotionality of the vote and how much people do care about voting and political issues. Perhaps even more worryingly, is the fact that 12 months after the vote, there is evidence that this polarisation within society is not subsiding (Van der Eijk and Rose 2017). These fracture lines are evident across generations (particularly the difference in the way the young voted predominantly to Remain whilst the older generation voted to Leave) but can also be seen across geographic locations too, with many large urban cities leading the vote to Remain and many suburban and rural areas preferring to vote Leave. Whilst anti-elite sentiment has been an almost constant theme within the campaigns of populist parties and this has often filtered through into the discourse of citizens alike, it is perhaps a new and even alarming prospect that these fractures and divisions have been translated into hostility against other citizens.

Moreover, these divisions within society were also observable across generations. This generational divide was highlighted by a series of questions that we included in a survey that we conducted in collaboration with Opinium that probed implicit and explicit associations with the EU (Bruter and Harrison 2017b). We found that when asked to compare the EU to an animal, older Brits chose a representation of an elephant, whilst younger respondents preferred to associate the EU with a lion. When asked to compare the EU to a painting, older Brits chose *Guernica* and the young a *Dance* by Matisse. Similarly, when we asked for a human trait, the top answer amongst the old was stupidity and amongst the young intelligence. The symbolism of these contrasted visions should not be dismissed as they offer a real insight into the juxtaposed visions that British citizens hold. These connotations of the EU shed some fascinating light upon the divisions within British society and how different the younger and older generations perceive the EU.

These generational differences were also explicit in the voting behaviour of younger and older voters in the recent December 2019 UK General Election. An insight into the motivations of the young voters has revealed that young citizens between the ages of 18 and 24 years old—were significantly more motivated by a desire for change, a rejection of the vision of Brexit that the Government was promoting, and frustration with the current political climate than the rest of the voting population (Harrison 2020a). Those differences have also given rise to broader senses of electoral hostility between citizens (Bruter and Harrison 2020), and also, ultimately of a growing sense of democratic frustration amongst citizens (Harrison 2020b).

8 Implications of Brexit Further Afield: A Message to Heed?

For many years, various groups within our societies feel ‘left behind’ as they struggle to grasp the volatile and unpredictable political, economic and social context. Within Europe, populist parties and their politicians have won electoral gains due to their platforms that address these concerns and have seen this a political opportunity to push their vision of socio-political transformation. Indeed, many of those who voted for Brexit will be the first victims of inflation, the first victims of disenfranchisement of the UK from EU law, and of the tax changes that Brexiters are threatening to use in retaliation for what they call a ‘bad deal’ for the UK.

It is crucial that we now start to recognise that citizens feel more European than elites give them credit for, but also that their very Europeanness is a major challenge for the EU because it makes citizens far more critical, and also far more legitimate in their criticism. Europeans—especially young Europeans—do not feel European simply because it has ‘benefits’. They feel European because they are, and because they feel a sense of belonging and ownership of the project it represents. If you are German, Hungarian, or Portuguese, you can perfectly disagree with—even be furiously critical—of the policies carried out by your Government without questioning the nation they apply to. European citizens may have indeed reached a point where precisely because they have appropriated the EU political system, they also want the accompanying right to be increasingly critical of the actions of those who lead the European Union. Leaders, be they national or European, can no longer hide behind the fact that they protect European integration to ask for a blank cheque to lead it the way they want any more. Citizens are demanding more democratic accountability from the EU and it needs to respond if it is restoring faith and trust in the project.

Perhaps, we may see that in the forthcoming years, Brexit may paradoxically provide an opportunity to engage with the challenge and allow it to commit to such a reinvention. In fact, the ‘counter-revolutions’ witnessed in Austria, the Netherlands, and France, have reinforced the appetite of citizens for a Europeanised and inclusive political reinvention rather than a national-populist one. French President Emmanuel Macron has clearly unequivocally staked out his position and placed the EU at the heart of his political project, which has been endorsed by a large majority of French voters both during the campaign and after his election with confirmation of his vision in the legislative elections.

However, given the complexities of the series of economic, social, migration, and currently the Covid-19 crises, that have confronted the EU, it is increasingly evident that the European project is perhaps facing a critical test of solidarity. The fractures that have been evidenced in British society throughout the Referendum campaign could also feature in other European nations with equal strength and drama, posing a risk of isolating many people, not least young people and those who live in large urban areas—to feel as forgotten as their counterparts who voted to leave the EU. The challenge to simultaneously reassure both sides, whilst providing optimistic hope for the future is overwhelming. The shockwaves that were triggered by Brexit will

continue to reverberate on the global stage as the uncertainty over how the process will be implemented has not diminished but in fact in some respects has increased. The geopolitical consequences of Brexit have been felt in countries from the USA to Australia and everywhere in between. Meanwhile, the Brexit saga continues to dominate political life and the continued volatility that is now characteristic of the British electoral system.

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Chapter 9

European Governance After the Brexit and the COVID-19 Shocks: A New Phase of Solidarity and Integration in the EU from the Japanese Perspective



Koji Fukuda

Abstract Britain’s decision to withdraw from the EU and the new coronavirus infection “COVID-19” has had a considerable impact not only on the EU itself but also on Japan and the rest of the world. The purpose of this chapter is to sketch out the dynamic between the EU and its member states in European Governance post-Brexit and after the global public health crisis, that accompanies the explosive spread of new-type pneumonia, to clarify the actual status of the EU. In response to COVID-19, the President of the European Commission, Dr. Von der Leyen is advancing reforms based on the Green Deal policy and the “Digital Europe” strategy will strongly promote. It is to be hoped that the EU’s capacity for integration and the relationship of mutual trust between the organization and its citizens. It will be fundamentally enhanced by the new framework of social solidarity. The current economic and public health crisis can only be effectively addressed by coordinated democratic and scientific solutions at global level in cooperation with citizens. Although the adoption of this range of measures will present the EU with an opportunity to regain a sense of solidarity and to rediscover its “raison-d’être”, it may also be one of the most arduous challenges that the organization has faced since its foundation.

1 Introduction

The Brexit and the rapid spread of new coronavirus infection have had a considerable impact not only on the EU itself but also in Japan and the rest of the world. They have emboldened Euro sceptics in each of the union’s member states, causing concerns of an anti-EU domino effect. European integration is a social experiment at regional level that has created a shared framework for globalization. As election results in various European member states have made clear, a split is developing between European citizens who support the unity or the EU, thus embracing globalization, and those who put their own nation first, anti-globalists who are opposed to European

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integration. In other words, in the EU forces promoting integration and favoring solidarity coexist with forces of resistance. This situation stems from the diverse nature of individual member state governments and domestic frameworks, which has created tension between supporters of integration and fragmentation.

The purpose of this chapter is to sketch out the dynamics between the EU and its member states in European governance post-Brexit and after the global public health crisis, that accompanies the explosive spread of new-type pneumonia, to clarify the actual status of the EU. With regard to further integration and consider the disparities and the poverty between nations and classes, caused by this social upheaval divided my paper into three parts.

First, in order to analyze the political and economic impact of Brexit and the COVID-19 (New Coronavirus Pandemic) on Europe, I will give a general outline of neoliberal globalization and European Integration from a new political–economy perspective. Second, I will discuss the trickledown hypothesis, labor market reforms, the issue of poverty, and the future of social solidarity in the EU, focusing on the communality of entities such as families and small regional societies. This approach does not merely focus on the relationship between national governments, shareholders, and employers but includes multiple stakeholders, bringing the distributive relationship between labor and management into the scope of consideration. Third, I will analyze the disparities within the EU single market, treating them, as a bundle of diverse frameworks, Finally, I will recommend a direction for the reform of EU integrated governance, including the adjustment and control of member states domestic frameworks, employment systems, social security and public health policy systems.

2 Neoliberal Globalization and European Integration

A consideration of the referendum results in Britain, which led to Brexit,¹ and the results of the Presidential and Parliamentary French elections, suggests that divisions among citizens, i.e., social cleavages between generations, regions, and income/education brackets, are common to these member states and are increasingly manifesting themselves, and that widening disparities and increasing poverty lie behind the rise of populism and the increasing incidence of home-grown terrorism.² The multiple risks facing the EU (the Eurozone crisis, the migration/refugee crisis, and the new coronavirus crisis, etc.) should also be considered in the light of social exclusion.

The UK instituted a system of social welfare with the Elizabethan Poor Law as its starting point and provided a model for the world with its creation of a welfare state following World War II. However, after Margaret Thatcher took power in 1979, she joined with other neoconservative political leaders, including the US President Ronald Reagan and Japanese Prime Minister Yasuhiro Nakasone, in advancing a

¹Clarke et al. (2016).

²Fukuda (2016).

process of neoliberal globalization. Seeking to realize “small government” in order to reduce government fiscal responsibilities, within the G7 framework. These leaders implemented policy packages designed to increase the international competitiveness of corporations, encompassing a number of structural reforms: deregulation, privatization, the reduction of corporate taxes, labor market reforms, the implementation of austerity budgets, and welfare cuts.

In 1985, Jacques Delors, President of the European Commission, published the White Paper “Completing the Internal Market”, encouraging the EU to proceed on its course of neoliberal globalization. Appealing to “Social Europe,” Delors stressed that both economic policy and social policy were essential to market unification, and that it would be necessary to realize a balance between the two.³ However, the actual EU integration process gave most weight to economic policy, resulting in the focus on social values gradually receding. Against the background of intensifying neoliberalism, the EU and its member states embraced a philosophy of market fundamentalism, and an American-style concept, the supremacy of the shareholder, came to dominate the EU thinking.

3 The Failure of the Trickle-down Hypothesis and Labor Market Reforms

With intensifying globalization under the regime of financial capitalism, there was minimal consideration of societal benefit as a whole, or for the public good. Share price-linked incentives, such as stock options that must be cashed within a fixed time period, spurred corporate managers to pursue short-term profits. With globalization as the rallying cry, economic organizations, corporate managers, and investors called on governments to reduce corporate taxes, shifted their production bases offshore, used tax havens in order to avoid or reduce their tax burden to the greatest extent possible, and devoted themselves to boosting share prices, reaping enormous profits in short periods. Placing its faith in the trickle-down effect, the concept that as the rich get richer, benefit will trickle down to the poorer social strata, the second Abe administration also adopted a policy of supporting big companies and global investors. One of the effects of the trickle-down theory, a theory often asserted within the neoliberal framework, is to legitimize the maintenance and expansion of the entrenched interests of the wealthy; however, there is no evidence to support the existence of any trickle-down effect. The Nobel Prize-winning economist Joseph Eugene Stiglitz has strongly criticized the fact that under neoliberal policy, the US taxation and regulatory systems, rather than increasing welfare throughout society as a whole, have been politically manipulated in a manner that impoverishes 99% of US citizens. The fact that no trickle-down effect has occurred in Japan, or in the European member states which implemented neoliberal reforms, was demonstrated by a research report

³Fukuda (2003).

based on a survey of the actual status of the OECD in December 2014,⁴ making dear the theory's failure.⁵

A consideration of the social reality of European member states shows that labor market reforms in each country that emphasized "labor flexibility" and prioritized employer profits have not led to employment creation and have resulted in a lack of social protection and safety net. As a result, economic growth has diminished, and unemployment has increased. Robert Boyer, an economist of the "regulation school," has pointed out that policies designed to increase labor market fluidity have been a total failure in European member states with poor social protection.⁶ European member states experiencing debt crises applied severe fiscal austerity programs in exchange for the provision of fiscal support by the troika (the EU, the IMF, and the ECB), but the expected fiscal reconstruction has not manifested itself, there is, rather, concern that the economies will fall into a state of deflation, referred to as "Japanization" due to Japan's unsuccessful struggle with its deflationary economy since 1998. In Japan, around 40% of university graduates' experience difficulty in finding regular and stable employment; unwillingly forced to take irregular employment, their low incomes make it difficult to form life plans, including plans for to marry and have children. The impoverishment of young workers is weakening the ability to secure funds for social security and is even generating fears regarding the collapse of the social security system itself. The result of the implementation of common neoliberal policies in Japan, the USA, and Europe against the background of increasing globalization has been the magnification of social disparities. What this means is that while some of the wealthy with unearned income may have become wealthier, huge number of workers have been laid off or experienced pay cuts. Working conditions have declined, and workers have had no choice but to take low-wage work, contributing to social destabilization. Moreover, since 2016, a number of papers with titles such as "The Death of Social Europe"⁷ have been published which question the rationale for the existence of the EU. Enabling us to understand this situation, the next section will look at the problem of economic disparities in relation to fiscal expenditure in European member states, via an international comparison based on OECD statistics.

⁴Cross (2017), Fukuda (2014).

⁵Fukuda (2018).

⁶Ibid.

⁷Ewing (2017), Brirkinshaw and Biondi (2017).

4 Poverty Trends in EU Member States and the Movement Toward a New Phase of EU Integration, Beyond Social Cleavages After the Brexit and the New Coronavirus Pandemic

Following the collapse of Lehman Brothers in 2008, economic and financial crises intensified globally, and the effects of the Eurozone crisis, originating in Greece, are still being felt. Furthermore, it is feared that the new coronavirus crises after 2020 will cause economic damage that far exceeds the Lehman shock and lead to the Great Depression. The negative effects of globalization have extended throughout Europe, and as a result, economic growth has slowed, which together with declining birth rates and aging populations, is making it fiscally difficult to continue to provide social security, medical and the other social services even in the traditionally wealthier European member states. NPM reforms, which reconsider the powers of administrative authorities, have been pushed through in many member states even as the scope and provision of social services have been narrowed down. There has been a trend toward the outsourcing and privatization of services, representing a change from public assistance to mutual assistance, or even self-assistance. As a result, new-type pneumonia crises caused medical collapse in Italy and France. The OECD researchers have analyzed the relationship between trends in the Gini coefficient, macroeconomics, and government expenditure, and compared the percentage of GDP represented by fiscal expenditure (by purpose) from the governments of the major EU member states and Japan (see Figs. 1 and 2).

The OECD indexed social security-related public and private expenditure under the category social expenditure,” and conducted international comparisons (see Fig. 3).

What these data show, first, is that there is no correlation between economic growth and the size of government. If we focus next on factors related to social justice (economic disparities and poverty), a clear correlation emerges. Neoliberalism stresses that if social security is made increasingly comprehensive and governments become too large, this will lead to fiscal collapse. However, in the USA and Japan, the Gini coefficient (an index of inequality in disposable income) and the relative poverty rate are high, public debt is becoming increasingly severe, and disparities are growing. Comparing Gini coefficients, the coefficients for Japan, at 0.341, and Britain, at 0.349, are both considerably higher than the OECD average of 0.32, and poverty among the elderly is immense (see Fig. 2).

Not only is Japan’s society aging, but the systems in place are extremely inefficient from the perspective of preventing poverty. In northern and western European countries, such as Germany and Sweden, which practice big government, Gini coefficients are generally low, with economic disparities and poverty controlled. There are few deaths in Germany and recovered relatively quickly even in times of New Coronavirus crises. The same was true in Estonia, Iceland, Lithuania, and Latvia (see Figs. 4 and 5). The management of poverty and economic disparities is dependent on whether or not a government is able to display appropriate government functions.

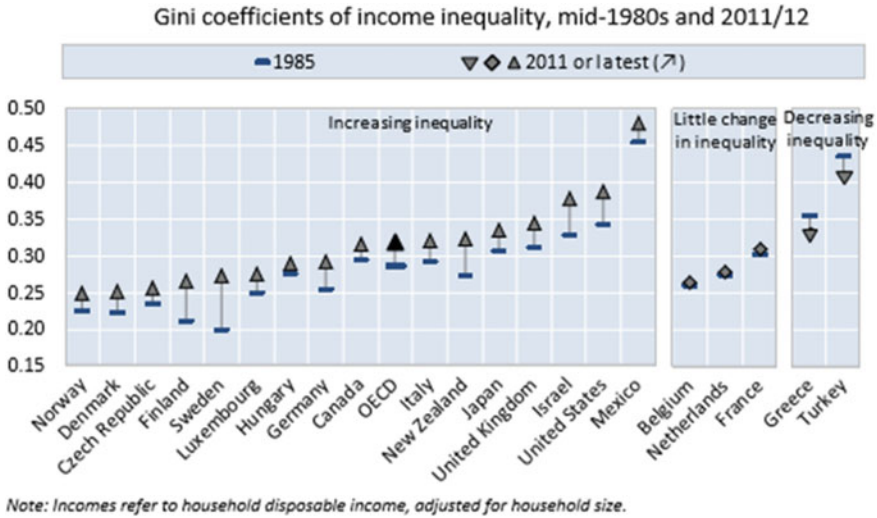


Fig. 1 Income inequality increased in most OECD countries. *Source* OECD (2014), FOCUS on inequality and growth, OECD December 2014 <https://www.oecd.org/social/Focus-Inequality-and-Growth-2014.pdf>, accessed 3 March, 2018

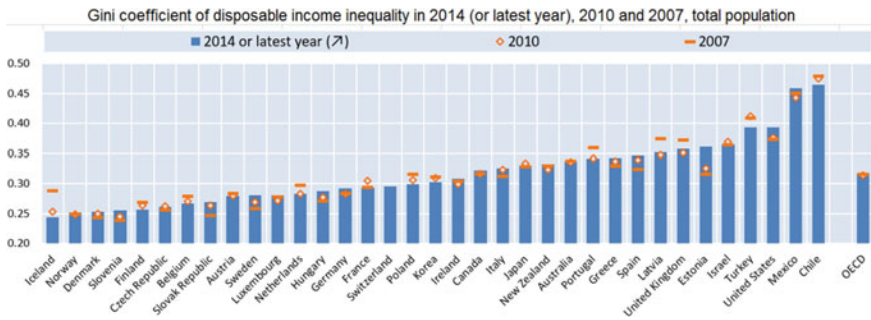


Fig. 2 The economic recovery has not reduced inequality

	UK	France	Germany	Italy	USA	Japan
2015	0.36	0.299	0.294	0.33	0.387	0.32
2014	0.357	0.297	0.294	0.33	0.389	0.32
2013	0.353	0.291	0.299	0.328	0.392	0.32
2012	0.349	0.307	0.292	0.335	0.385	0.32
2011	0.354	0.31	0.295	0.33	0.387	0.332

Fig. 3 International comparison Gini coefficients. *Source* GLOBAL NOTE, OECD Income Distribution Database (IDD): Gini, poverty, income, methods and concepts. <https://www.globalnote.jp/post-12038.html>, accessed on 6 June, 2018



Fig. 4 Social spending public % of GDP, 2016 social expenditure: aggregated data. *Source* <https://data.oecd.org/socialexp/social-spending.html>, accessed on 6 June, 2017

(As of May 27, 2020 : ECDC)

Country name	Number of infected	Death died The number	Infected people per 100,000 population	Fatality rate per 100,000 population
England	265227	3708	398.9	55.7
Spain	236259	27117	505.7	58.0
Italy	230555	32955	381.5	54.5
Germany	179364	8349	216.3	10.1
France	145555	28530	217.3	42.6
Belgium	57455	9334	503.0	81.7
Hsu et Den	3440	4125	338.2	40.5
Estonia	1834	65	138.8	4.9
Lithuania	1639	65	58.8	2.3
Latvia	1653	twenty two	54.7	1.1
EU member countries total	1366974	1619717		

Fig. 5 Comparison of the infections and deaths per 100,000 population in the EU and UK (as of May 27, 2020: ECDC). *Source* European Centre for Disease prevention and Control (2020), COVID-19 situation update for the EU/EEA and the UK, as of 31 May 2020. ECDC: <https://www.ecdc.europa.eu/en/geographical-distribution-2019-ncov-cases>

Factors related to disparities and poverty are strongly correlated with small governments; under small government, both the Gini coefficient and the relative poverty rate are high, indicating a tendency towards the impoverishment of citizens under regimens of fiscal austerity. By contrast, big government is largely successful in controlling disparities and poverty. In sum, we can assert that in countries with low Gini coefficients and countries with low economic disparity, the poverty rate is low, with these countries resistant to divisions among citizens and avoiding populism.⁸ In the USA as well as Italy, where economic disparities are large, there were many victims of the New Coronavirus Pandemic.

The elections in Europe have largely been completed, signaling that the EU integration process is entering a new phase and experiencing a demand for the strengthening of social policies and policies promoting social cohesion in order to control economic disparities and poverty, and the implementation of reforms in order to promote income redistribution at a regional level through public policy. It will be vital to adjust, coordinate, and achieve cooperation between EU policy and domestic policy, realizing a policy that controls disparities and division within the populace. What will be required in order to increase the EU's 'integration ability' will be the involvement of not only the first and second sectors but also of the third, civic sector, the European civil society, in the EU policy process. These three sectors need to create a system that bolsters solidarity at the regional level and facilitates the implementation of fiscal policy, increasing the income of the middle class. These measures will generate a dynamism that increases consumption, creating a virtuous cycle with economic growth.

5 COVID-19-Related Policies and Coordinated Approach in the EU/Member States for Restoring Freedom of Movement

Since the novel coronavirus epidemic, later named COVID-19, was first reported in December 2019 in Wuhan, China, this new form of pneumonia has spread beyond national borders worldwide, posing a significant threat to humanity. According to a study by John Hopkins University, as of June 3, 2020, there were 6.4 million infected people worldwide and more than 380,000 dead. In mid-January 2020, the WHO stated that there was "no evidence of coronavirus transmission from person to person." However, it became clear on March 12 that human-to-human transmission had indeed taken place, and the WHO Director-General Dr. Tedros Adhanom Ghebreyesus declared that the new corona infection was officially a "pandemic."

The new-variant pneumonia has continued to rage across Europe since March 2020 and is having a serious impact on society and the economy there. The UK Prime Minister Boris Johnson, who finalized Brexit at the end of January 2020, was himself infected with the new corona virus in March. Fortunately, after treatment,

⁸Ramswell (2018).

which included several days in an intensive care unit, he was discharged and able to resume his duties.

The large-scale cross-border movement of people has become a reality since the creation of the Schengen Area, which comprises 22 EU Member States and several EEA countries that are not EU members. All these countries are bound by the Schengen Agreement, which abolishes immigration checks to form one economic space. However, with the spread of the new corona infection, each Schengen country was forced to strictly curtail such movement by introducing lockdowns, entry bans, and other border blocking measures. Indeed, with the reinstatement of border inspections, the Schengen Agreement is now only allowed to operate in the event of “exceptional circumstances.” It can be said that the above-mentioned measures present a serious threat to the idea of and the “raison d’être” for European integration.

First, an overview of the legal basis of infectious disease control and public health policies in the EU is necessary, starting with the Single European Act in July 1987 on Health (Article 100a). It is important to consider Public health policy (Articles 3 and 129) as stipulated by the treaty on European Union (Maastricht), “Disease prevention and elimination of health hazards” (Article 152) as described in the EU (Amsterdam) Treaty in May 1999, and the role of the European Centre for Disease Prevention and Control (ECDC), which was set up in May 2005. The impact of the EU (Lisbon) Treaty and that of the European Charter of Fundamental Rights (Article 35), which came into force in December 2009, also need to be assessed. The Lisbon Treaty is highly significant as it designated public health policy as a “shared power” jurisdiction area between the EU and its Member States.

Second, the EU’s first policy response to and measure against COVID-19, the activation of the “EU Civil Protection Mechanism” in January 2020, needs to be discussed. During the coronavirus outbreak which affected the occupants of the Diamond Princess cruise liner in Yokohama, Japan in February 2020, the Directorate General for Civil Protection and Humanitarian Assistance (ECHO) became the core for coordination among Member States including Italy, Germany, France, the UK and Ireland, resulting in 71 EU citizens being returned to European countries on February 21.

Third, it should be noted that the EU has provided a valuable contribution to the international community during the COVID-19 crisis. For example, via joint investment between the EU central authorities and the Member States, it has provided relief supplies such as medical devices and personal protective equipment to China. It has also provided financial assistance to the value of €114 million to the WHO, and €15 million to Africa (European Commission, Press release, 24 Feb. 2020, COVID-19).

Fourth, regarding the EU’s measures to support its Member States, The European Commission set up the COVID-19 Headquarters on March 2. In the European Parliament in April, the President of the European Commission, Dr. Ursula Gertrud Von der Leyen apologized on behalf of the EU to Italy, where the spread of the infection had been particularly rapid, for failing to provide the necessary assistance. Following that, the EU set aside €100 million to fund vaccine research and €37 billion for a “Corona Corresponding Investment Initiative.” In addition, the European Central

Bank (ECB), in order to respond to the profound risk to monetary union, provided €7500 billion for a new Pandemic Emergency Purchase Program (PEPP). Furthermore, “the European Commission has pledged €300 million to Gavi, the Vaccine Alliance, for the period 2021–2025.”⁹ According to the EU, the total amount dedicated to emergency economic stimulus measures is equivalent to 7.3% of Euro area GDP.

Finally, let us compare the EU countries’ COVID-19 policy responses. The number of Polymerase Chain Reaction (PCR) tests varies from country to country, and the actual number of infected people cannot be accurately determined. The cause of death has not been consistently identified in terms of a fatality rate (the number of fatalities per 100,000 people), and it is not uncommon for pneumonia to be given as the name of the disease. It is simply not possible to compare the number of deaths and the mortality rate per 100,000 population across the various Member States. However, the mortality rate can be estimated to some extent and may serve as an indicator of medical exhaustion and medical collapse in each country. As of May 27, 2020, fatality rates for selected European countries are as follows; Belgium 82.8, Spain 58.1, England 57.7, Italy 55.2, France 42.9, Sweden 43.2, Germany 10.2. There is a particularly marked difference between 5.1 in Estonia and 1.2 in Latvia.¹⁰

There are various causes of this mortality gap, including differences in political and medical systems, differences in bioethics, differences in virus types (S type, K type, L type, etc.), differences in genetic factors, and differences in lifestyle and habits. It may be beneficial at this point to investigate the factors described by Professor Shinya Yamanaka, the Nobel Prize winning scientist and academic, as “Factor X”. Regarding Scandinavian countries, only Sweden experienced a high fatality rate due to differences in bioethics, such as the attitude to euthanasia, and because the severe urban blockades set up in other member countries were not introduced there. The fact that shops, elementary schools, and secondary schools continued to function as normal might have had an adverse effect on the country’s infection rate. As a background factor, it should be mentioned that in Nordic countries such as Finland and Estonia, e-government, remote work and IT-based work are operating successfully, and both the infection rate and the fatality rate appear to be low.¹¹

⁹Coronavirus Global Response: https://ec.europa.eu/commission/presscorner/detail/en/ip_20_989, 3 June, 2020.

¹⁰ECDC (2020) COVID-19 situation update for the EU/EEA and the UK, as of 31 May 2020, <https://www.ecdc.europa.eu/en/cases-2019-ncov-eueea>, accessed on 3 June, 2020.

¹¹<https://eueuropaeas.fpfis.slb.ec.europa.eu:8084/headquarters/headquarters-homepage/76467/%e6>, 3 June, 2020.

6 Conclusion

The EU mechanism is a hybrid system of government that fuses with, and functions in tandem with, the government systems of member states. Its particular characteristic can be described as “multi-level governance.” In order to resolve issues of poverty and economic disparity in EU member states, we can point to the importance of maintaining and strengthening integration through network governance, via the hybrid EU system, while maintaining economic systems based on market principles. Involving European civil society in the process of integration, rebuilding the solidarity of the union based on the principle of communality, of either a family or small region, is needed.

The discussion above has shown that countries with low levels of economic disparity (low Gini coefficients) feature comprehensive social security systems, a high level of investment in education and public investment, and low poverty rates. Compared with continental European countries, the USA, Britain, and Japan have high Gini coefficients despite the low unemployment rates, high poverty rates, and a high degree of social inequality. Additionally, analysis of the relationship between trends in economic growth rates and economic disparities has shown that it is precisely neoliberal reforms and policies based on market fundamentalism that have worsened the fiscal problems in the considered countries. The facts are that, as a result of neoliberal reforms, the USA has become a debtor nation facing the possibility of fiscal collapse and Japan’s tax revenues have been drastically reduced, its deflationary economy further indicative of the fact that financial factors have a significant effect on economic disparity and poverty. As Joseph E. Stiglitz has pointed out, the reduction of poverty and the elimination of disparities do not only promote social stability; fair income distribution boosts people’s desire to work and their desire to save, spurring economic growth.

The High Representative of the Union for Foreign Affairs and Security Policy, Josep Bourrell observed that “COVID-19 will reshape our world. We do not yet know the crisis will end. But we can be sure that by the time it does, our world will look very different.”¹²

In response to COVID-19, the President of the European Commission, Dr. Von der Leyen is advancing reforms based on the Green Deal policy and the “Digital Europe” strategy in line with UN SDGs. The aim is to promote a circular economy and secure a competitive advantage for European industry through the global acceptance of EU regulations. She will strongly promote “a European Green Deal” and “a Europe fit for the digital age.” It is to be hoped that the EU’s capacity for integration and the relationship of mutual trust between the organization and its citizens will be fundamentally enhanced by the new framework of social solidarity (see: Ursula von der Leyen, *A Union that strives for more. My agenda for Europe*). It will be essential

¹²Ibid.

to redesign taxation and social security systems to make economic growth and income redistribution possible, and, looking towards the dispersion of risk through solidarity, the realization of sustainable and inclusive growth that benefits every member of society.

Many EU institutions have launched measures to support Member States and European citizens, including the EEAS's "COVID-19 Pandemic: European Regulatory Response", ECHO's Cyber Security, the COVID-19 Hacker Countermeasures, and Europol's Corona Crisis-Related Crime Countermeasures.¹³ It is necessary to demonstrate the purpose of the existence of the EU by ensuring the objectivity of the media, promptly publicizing the scientific facts related to COVID-19 objectively, all the while insisting on accuracy and transparency. The current economic and public health crisis can only be effectively addressed by coordinated democratic and scientific solutions at global level in cooperation with citizens. Although the adoption of this range of measures will present the EU with an opportunity to regain a sense of solidarity and to rediscover its "raison-d'être," it may also be one of the most arduous challenges that the organization has faced since its foundation.

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¹³European External Action Service (2020), EU News 66/2020, 23/03/2020 Coronavirus Global Response: https://ec.europa.eu/eas/fpfs/commission/presscorner/detail/en/ip_20_989, 3 June, 2020.

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Chapter 10

Brexit: Reasons and Domestic Consequences



Miguel Angel Vecino

Abstract Brexit is the main challenge for the survival of the EU since the 50's. But something went wrong from the very beginning of the access of UK to the main experiment of unity of European countries. First, Britons never felt “European” as any other continental country could feel. Secondly, UK had a historical problem with Ulster and Scotland. Thirdly, EU could to a certain extent hide the inner tension of the Kingdom. The English, Irish and Scottish saw the EU in a different way. For Northern Irish, EU meant the disappearance of inner borders, the way to put an end of the endemic violence in the province. For Edinburgh, joining the EU was to counterbalance the tête-à-tête with London. But all those screen that prevented UK to face reality have been scattered with Brexit, and Brexit in itself is the result of a reality: English people don't feel European, and the Scottish, Irish and English do not like each other. Brexit has deeply divided the UK.

For 3 years now, Europe has suffered the agonising separation of the UK from the European Union (EU) which had entered, after strong opposition from France, 46 years ago. Neither Europe nor the world are the same as in 1973, when with Ireland and Denmark, UK entered the then European Community; the economy, the states themselves and the international scenario have changed. But it seems that pro-Brexit British voters are still thinking as they did in 1973.

However, there is one aspect of BREXIT which has not received enough attention: the internal consequences it will have; not only socially and economically speaking but also for the very existence of the UK. It is clear that the exit/departure will give rise to two immediate situations: the rethinking of independence by Scotland and the question of the Good Friday agreements in Northern Ireland. The first is latent in Scotland, but the second is much more serious because if the UK leaves, the border between the Republic of Ireland and Ulster or Northern Ireland will have to be reinstalled, and that border poses a very serious danger of rekindling the civil war.

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1 Background

General De Gaulle was rightly opposed to the UK entering *the European Community* because he considered that London was not sincerely pro-European, and that the British wished to prevent the European Community from becoming a potential competitor to the USA. There may be some reason in President De Gaulle's opposition, but it is no less true that London had its own interests, and the European Economic Community (EEC) was opening a huge area of free trade, ideal for the British economy. The UK had created in 1960, alongside eight other states which did not wish to be part of the EEC, the EFTA (European Free Trade Association). It quickly became clear that EFTA could not cope with the ambitious projects and successes of the EEC, meaning that, and as a consequence, in 1961, the UK changed sides and requested, for the first time, its inclusion in the EEC, which was not possible to negotiate until General De Gaulle left power in 1969.

The difference of opinion that separated London from Brussels since the beginning, was a miscalculation from both sides, who did not foresee the obvious: the evolution of Europe. From the outset, London fully agreed to be part of a large and promising free trade zone, but nothing more. London never considered the possible deepening in the construction of a truly united Europe, and neither did the British have a truly European conscience: the history of a people is not changed by signing a treaty. From the moment, London realized that the other members of the EEC really did believe and wanted a greater integration, it understood that its mission would be to prevent this further integration of members, at all costs.

With Mrs. Thatcher a double strategy was deployed: on the one hand, the opposition of anything that was not simply true free trade and, on the other, to recover the competencies that the UK had given up until then: on November 30, 1979, after a disastrous summit in Dublin, Mrs. Thatcher launched her famous slogan: '*I want my money back*'. It became clear that London had become *THE* enemy of the EU inside in the EU; those who were forced to work with the British in coordination meetings thereafter, understood the magnitude of the danger posed to the future of the EU when one of its members continually dynamite, for any reason, every common initiative. Either the UK would bend to the wishes of the EU, or it would leave.

Thus, at the initiative of Mrs. Thatcher, an anti-European movement in the UK began, based more on a nostalgia for the Empire than on the reality of the moment; Mrs. Thatcher managed to recover not only her money but also many of the competencies that had been transferred to Brussels. Mrs. Thatcher wanted to return to the UK that had existed before World War II.

After the end of the bipolar world, the international scene began to change and the weight of the old great powers vanished before the emergence of new states like China and India and the rebirth of what was believed to be the moribund Russia. The economic world returned to pure capitalism and the division of labour made, for example, the origins of the parts of a car as diverse as the states of the European Union. London had to recognize that, despite its permanent frontal opposition to most European initiatives and its self-marginalization of major European projects,

the EU would continue to move forward. The time had come to be completely *in* or *out*, because the situation of being ‘in’ or ‘out’ *à la carte*, was already unsustainable in Brussels, and in the UK.

I will not refer here to the campaign for or against Brexit, because it is known well enough and there is even an excellent TV movie (‘Brexit: the Uncivil war’, 2019, directed by Toby Haynes) that narrates, with great authenticity, the manipulation of public opinion achieved by BREXIT supporters, such as Boris Johnson and Nigel Farage, who, by the way, repeatedly announced the death of the European Union. Both made totally false statements about the cost of the EU to the UK, as Farage himself acknowledged, after the victory of the Referendum. But behind economic reasons, there is undoubtedly a psychological longing for the long-awaited past.

2 The Yearning of the Empire

Of course, the very serious economic, social, and political crisis that plagues Europe (and the world) affects the UK. As with other European countries, it is the population furthest from the urban centres where the reactions have been the most radical. As always in history, a scapegoat must be found in order to explain the negative situation, and in the UK, but more especially in England, it has logically been ‘the foreigner’. But who is the foreigner in the UK? The answer will clarify the rejection of the EU. The foreigner is not the immigrant of the Old Empire, the Indians, Pakistanis, etc. Because they are all part of the Empire, still alive in the history and mentality of millions of English citizens. The foreigner is the Pole, the Hungarian, the Bulgarian, the Romanian, etc., that is to say the immigrant from Central East Europe and in a certain way, the immigrant from the West too, but to a much lesser extent, those who have no historical roots in the UK.

Therefore, the reaction against immigrants is the reaction against part of Europe, not against all ‘immigrants’. In the UK, in general, and in England in particular, with the exception of the Irish of the IRA and its armed confrontation with the UK, the relationship with the immigrants of the Empire is not at all like that which exists in France with respect to immigrants of the old colonies. We must give the British credit that among them there is no such absolute rejection of the natives of their colonies, there is no such contempt, and if there is, they do not show it.

As I said, this is because the Empire is still alive in the minds of many English people, who still dream of the *Union Jack* and *God Save the Queen*, which to them means something because they refer to a there history. Now, concerning the EU, it is difficult to create a patriotic spirit talking about the price of vegetables or fishing zones, however important they may be. It is no less true that a large number of Britons, mainly among the voters of the Labour Party and the Liberal Democrats, realize that the imperial chimera is gone forever. Talking with the regional leaders of England, mainly from the industrial north, there is a striking difference in how they see the present and the future between them is clearly, in no way negotiable.

The Conservatives, more so in predominantly agricultural regions, and the ‘Imperial’ immigrants, are radically against the EU.

Thus, for example, they consider it absurd (and to some extent it is) that a traveller from Canada, who is part of the Commonwealth and has the same head of state, is more foreign to all intents and purposes than a Bulgarian. The Imperial mentality, recognizing that the UK is no longer the world superpower, being convinced itself that leaving the EU will be a return to the Imperial past, as the old colonies and domains will always be open to reviving this ‘special relationship’. It is a feeling similar to that existing in France, with the ‘grandeur’: for many and despite the evidence, France remains a great power on the same level as the greatest. If France has always lived under the glory of Louis XIV and Napoleon, the UK remains blinded by the sun of Queen Victoria, which is only open to criticism when that glory or that sun, prevents one seeing the reality of the moment. It is a return to a nationalism that in the UK focuses on the rejection of the EU.

This does not deny that even among Eurosceptics, there is a recognition of what the EU has actually contributed to the UK. Thus, for example, the rector of a very large university in the north of England told me that he was for Brexit, but that he would be very sorry if he lost the U.E funds for research in universities.

3 Extremist Nationalism

Both in Northern Ireland and in Scotland, there is a great fear of the consequences of Brexit, although for different reasons, but in both countries, the political class agrees for 90% (exception among the Democratic Unionist Party—DUP—of Arlene Foster in Ulster, and a part of the conservatives in Scotland) that London cares absolutely nothing about Ulster or Scotland. Moreover, political leaders from Northern Ireland told me, more or less clearly, that London would be very happy if the Irish left the UK, because for the English, the only thing that Ulster meant was the burden of transferring 12 billion pounds a year to feed the country’s unsustainable economy. They did not think anything different in Scotland. In both cases, the wish for independence proves to be a heavyweight in deciding their future.

Historically, Scotland has felt completely neglected by London, which has always ignored Scottish interests, much more than those of Northern Ireland, and also has not complied with agreements to return competencies to Scotland, a problem that will be aggravated with Brexit. Constitutionally speaking, Edinburgh is very aware that the London Government is not superior to the Scottish Government, but only the Westminster parliament is superior to the Scottish parliament. In a first independence referendum in Scotland, on September 18, 2014, the ‘no’ to independence won precisely for the same reason that now the ‘yes’ would win: Scotland has a significant amount of immigration from Europe, mainly Italians, Romanians, Poles, among others. Being a very sparsely populated country (just over 5 million), immigration is essential for physical survival; but it is no less true that the Scottish economy revolves essentially around salmon, whisky and oil, the latter of increasingly low profitability.

Closing the door to its exports to the EU is equivalent to drowning its economy. For this reason, the Edinburgh government is making a huge effort to develop business contacts between Scotland and other economic centres in the West.

In Scotland, legal immigrants have the right to vote in a referendum and therefore, when independence was proposed in 2014, supporters of staying in the UK argued that leaving would mean leaving the EU, which was true, and that caused EU immigrants to vote against the idea. Today this is quite the opposite: to remain in the UK is to leave the EU, and as there is also no strong immigration from the former 'Empire', unlike England, contrary to independence, it is foreseeable that independence will prevail with around 60% of the votes.

However, the Scottish government has frequently repeated that, unlike the Catalan independence movement, it will not do anything illegal and therefore will not unilaterally declare independence. Indeed, doing so would mean starting off on the wrong foot in regard to the European scene, which would not support unilateral declarations of independence. In this regard, the then Spanish Minister of Foreign Affairs, Josep Borrell, currently in charge of the EU's External Relations, declared in November 2018 that Spain would recognize an independent Scotland if independence were legally obtained, a statement that was collected in numerous Spanish and European newspapers. London strongly protested the statement and although the Spanish Minister did not repeat it, he never officially rectified it either. Certainly, some states would welcome Scottish independence, because this would undoubtedly have an extremely debilitating effect on the UK and rivalries in the EU are still latent because history is not erased simply by signing a treaty. However, the States of the European Union do not encourage Scottish independence either, because it is feared that an explicit and rapid recognition of the new State and its immediate entry into the European Union would be a bad example for other irredentism on the continent, and especially in some Central European States, in the Balkans and without a doubt in Spain with Catalonia as well as the Basque Country. Thus, the scenario that may arise for Scotland could be a recognition of its legally obtained independence, but without being immediately admitted to the European Union, because, in addition, Scotland is not a country with strong economic resources and would be more of a burden for the EU budget. Scotland could stay for a time in no man's land, but not so much because of its economic weakness or because it had to adapt its legislation to community rules, but because of the political consequences.

In Northern Ireland, the problem is completely different because it is not a matter of secession and creation of a new independent State to join another equally constituted State. From the point of view of International Law and the European Union, it would be a change of sovereignty that, in addition, would only affect the Republic of Ireland since the United Kingdom would no longer be a member of the U.E. Therefore, from an international point of view, the Irish case does not pose the same problems as the Scottish one, which does not mean that it is not equally dangerous because other states may raise the same issue. To take just one example, the Irish case could eventually be argued by the Transylvanian Hungarians, under Romanian sovereignty after World War I, on ethnic and nationalistic grounds, at especially difficult times for the relationship between Budapest and the U.E. for the attacks on democratic

principles by the Hungarian president. In Europe, irredentism is present in many areas and in many mentalities.

All political leaders in Northern Ireland, except Arlene Foster (president of the D.U.P.) are convinced that the restoration of the border between the Republic of Ireland will ruin the Good Friday Agreement (April 10, 1998) which ended the armed conflict in Ulster, making the return to violence inevitable. Therefore, for all parties (except the D.U.P.) between the choice of separating from the UK and keeping the peace or, separating from the EU and returning to a confrontational situation, they will undoubtedly choose the former. It is a matter of survival: of not returning to the horror of bombs and murders. Still today, there are neighbourhoods divided by walls, in which Catholics or Protestants cannot enter. Raising the border again would restart the civil war, and even moderate unionists are not in favour of this alternative.

However, the solution is not at all clear. On the one hand, if there were a referendum in Northern Ireland, it would not really be valid if the result were a consecration of the Catholic-Protestant divide, the former voting massively for the separation from the UK and joining the Republic of Ireland, and the Protestants unanimously voting against separating from the UK. Even if the results were clear percentage wise in one sense or another, the problem would not be solved, but rather would reflect the extremely dangerous social divide between Catholics and Protestants. For the referendum not to be the spark that set Ulster aflame again, the result would have to show that a share of no less than 30% of the Protestant population supported reunification with the Republic of Ireland. However, that would not mean at all that the transition would be made without violence, because according to all political forces (except the D.U.P.), it is no longer the I.R.A. (Irish Republican Army, Catholic) but the order of Orange (Protestant) which will not accept the separation from the UK.

Although the Irish of the Republic voted overwhelmingly (over 90%) in favour of the Good Friday agreements and another referendum would not be necessary in principle, reunification would impose a heavy economic burden on the Republic, since the 12 billion pounds that the UK now transfers to the Ulster economy, they would have to be, at least for a long period of time, contributed by Dublin, which is a very significant sum for an economy that in 2019 had a GDP of 405 bn \$ (1\$ = 0.96 euros), and currently, 1.2 billion euros are already planned in case of a Brexit without agreement.

4 Conclusion

The immigration of Eastern Europe and the normative power of Brussels have become a problem internal to Britain, in which the discussion is not about the future of the relationship with Brussels, but the very existence of the UK. The Scottish and the Northern Irish do not share with the English the Imperial idea and see the future with more realism. Brexit supporters remain convinced that the glory of the past will return as England remains an indispensable pillar of the world and, above all, that it is the EU which loses with Brexit: just before the agreement presented by

Theresa May was voted on in Westminster, a Tory deputy interviewed at the BBC said, 'Nobody has to worry because in three weeks' time we will have the entire European Commission at the gates of Parliament begging us on their knees to stay'. It did not happen. In April 2019 I asked Arlene Foster if they had reflected on the consequences of Brexit, to which she replied: 'Yes, and we are very worried about the future of EU, but if you decide to leave, do not expect us to save you from sinking into misery'. From her point of view, it was an upside-down world: it was the EU that separated from the UK and it was the European economy that would sink.

The truth is that most British people have never really felt deeply European. For them, the continent, as in the imperial era, is still isolated by fog. But that time is over, and many English citizens have not realised it.

Miguel Angel Vecino studied five years of Law in the University Complutense (Madrid, Spain) and other five years studying History of International Relations (Prof. Bruno Neveu) in the École Pratique d'Hautes Études IV section. Sorbonne (Paris, France). After, he had two masters, one in constitutional history and a second one in constitutional theory, both by the Centre for Constitutional Studies of the Spanish Senate. he was one the three candidates selected among 3.500, for a post in the Secretary of Ministers of the European Union. he passed the exams for the Spanish Diplomatic Corps. He has published more than 300 articles in the Spanish press and specialised reviews, and participate in round tables, conferences and seminars, always on European subjects. He has been preparing since 2001 a *History of the Balance of Power (XV–XX siècles)* and a book on the *Intellectual Origin of Soviet Foreign Policy*. Married, two children.

Part III
Brexit and After: Influence on other
Countries: Oceania, China and India

Chapter 11

Shifting Frames: Images of Brexit in NZ and Possible Consequences



Serena Kelly, Franzisca Doser, and Natalia Chaban

Abstract Britain’s referendum decision (Brexit) to leave the European Union (EU) in June 2016 resulted in political and economic uncertainty in Britain, Europe and around the world. The unprecedented scale of the UK’s decision to leave the EU and uncertainty that followed the referendum meant that much of the speculation was emotionally loaded. Adding to the emerging research field of tracing emotions in international relations, our study of international reaction towards Brexit analyses the ‘emotive’ reactions while applying image, political psychology and communication theories in order to understand how the UK’s decision to leave the EU has been framed and understood in one of Britain’s closest allies—New Zealand. Working with five hypotheses, we find that New Zealand authors reported Brexit from a more emotional perspective than their British counterparts and that the election of Donald Trump served to further entrench a negative emotionality towards Brexit by New Zealand journalists.

Britain’s referendum decision (Brexit) to leave the European Union (EU) in June 2016 resulted in political and economic uncertainty in Britain, Europe and around the world. Resultantly, there has been a great deal of speculation about the possible outcome of the Article 50 negotiations. The unprecedented scale of the UK’s decision to leave the EU and uncertainty that followed the referendum meant that much of the speculation was emotionally loaded. The terms ‘irrationality’ and ‘emotion’ have been used extensively by commentators reflecting on the prolonged and painful period of exit negotiations, the turbulent ride of the UK’s government since mid-2016 which witnessed three Prime Ministers, internal and external reaction to the UK’s vote and its subsequent course of action. Our study of international reaction towards

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Brexit analyses the ‘emotive’ reactions while applying image, political psychology and communication theories in order to understand how the UK’s decision to leave the EU has been framed and understood in one of Britain’s closest allies—New Zealand. We add to the emerging tradition of emotions in international relations (IR).¹

Theoretically, we position our inquiry on an interdisciplinary intersection of several conceptual frameworks through engaging with EU perceptions theorisations of spatial and temporal factors^{2,3} and considering how *global*, *regional*, *EU-* and *UK-specific*, and *local* filters shape responses to short-term and dramatic events. The resulting framing, intentional or not, ‘provides meaning to an unfolding strip of events, weaving a connection among them’⁴ and contributes to images of international partners in cognitive and emotive terms. Our interest towards emotion invites links to the field of political psychology which applies ‘what is known about human psychology to the study of politics’⁵ and ‘concerns the behaviour of individuals within a specific political system’.⁶

Our study focuses on so-called ‘top-down’ dynamics—when ‘powerful actors and institutions might shape collective and individual emotional representations’.⁷ We contribute to the debate on how to empirically measure emotions in IR,⁸ proposing a novel method for tracing emotionally loaded projections of international actors by domestic media. Our focus is on the New Zealand mainstream media’s coverage immediately after, and the six months following, the UK’s referendum.

According to Duffy,⁹ ‘We are more dependent on the media for information, that is, where our personal experience is scant, what the media says on the subject has a greater influence on our perceptions’. Yet, how the media influences the public and images is nuanced,¹⁰ and tracing nuances requires a robust methodology. Our operationalisation is informed by the Change Curve model—a model used in psychology to understand how humans deal with sudden major changes. We map the emotive framing of Brexit in New Zealand media against the four stages of this model. Innovatively, we call attention to a need to differentiate between sources of projection and recognise the emotional impact of such sources. Although designed for psychological analysis, the Change Curve model provides useful categories to compare how the Brexit vote, and its immediate aftermath, were framed by ‘local’ New Zealand news sources vis-à-vis foreign (British) sources. We also tracked the journalistic attitudes—leave or remain—according to the sources. We find major differences which we explain while engaging with local, New Zealand-specific filters.

¹Brader and Marcus (2013).

²Didelon-Loiseau and Grasland (2014).

³Chaban and Chaban (2018).

⁴Gamson and Modigliani (1987).

⁵Huddy et al. (2013), p. 1.

⁶Huddy et al. (2013), p. 3.

⁷Clément and Sangar (2017), p. 12.

⁸Clément and Sangar (2017).

⁹Duffy (2018), p. 61.

¹⁰Valentino and Nardis (2013), p. 559.

The New Zealand case study is special. We anticipate that New Zealand media portrayals and images of Brexit and the possible implications of changes are of high emotional value for New Zealanders. New Zealand's relationship with the UK has always been very close, with New Zealand established as the so-called 'better Britain' (During 1998) and traditionally understood as 'the most British' of all the former British colonies. New Zealand suffered a seismic economic, political and identity crises when Britain joined the EU's precursor, the European Economic Community (EEC) in the 1970s. The prevailing perception in New Zealand when the UK joined the EEC was that New Zealand had been betrayed. Negative feelings have been reignited by European protectionist agricultural policies that were hurting New Zealand agricultural producers who traded internationally for decades. Yet, the twenty-first century has brought a different tenor to the New Zealand (NZ)–EU relations. It is characterised by a major turn to positive and constructive interactions facilitated by a number of shared political positions, including mutual respect of Western liberal norms and values, championship of free trade, and support for multi-lateral world order. The British media coverage of the debate even suggested that Britain could re-establish stronger Commonwealth ties after its EU exit.

Respectively, we outline four leading hypotheses:

- H1: NZ's influential media will frame Brexit in emotive terms, yet the type of emotion will be depending on the news sources (NZ vs. UK).
- H2: UK sources are expected to frame Brexit in emotionally invested terms (due to the inherent drama triggering a range of emotions—from fear and resignation to confusion or triumph—and the ensuing uncertainty for the UK).
- H3: NZ news sources are expected to frame Brexit in a more neutral way (due to its stable relations with both the EU and the UK in any scenario; its geographical distance; as well as diverging historical paths with the UK after the UK's accession to the EEC in the 1970s).
- H4: Common ground between New Zealand and the UK—two western democracies sharing a set of values and historical ties—would result in framing the UK by NZ newsmakers from a positive-to-neutral perspective, reflecting on the feeling of historical kinship.

Importantly, our observation period embraced an event on the global stage which in turn impacted on the emotive media framings of Brexit—the election of President Trump. Both events are arguably seen as an affront to the multilateral world order and the victory of populism. Consequently, we employ a fifth and final hypothesis: (H5) Trump's victory in autumn 2016 will impact emotive framing of Brexit in NZ media.

Empirically, we analyse the emotive framing of the Brexit referendum and its immediate consequences in 715 published articles that referenced Brexit in three main New Zealand newspapers between June 26 and December 31 2016: North Island's leading paper *The New Zealand Herald*, South Island's press flagship *The Press* as well as the leading newspaper in the nation's capital *The Dominion Post*. Leading national newspapers remain the main feeders of news for other media (including social) and other papers (regional and community). They also remain

main sources of in-depth current information on international affairs and foreign policy for educated audiences and elites. The geographical principle is important as there is no one leading national daily in New Zealand.

The article proceeds as following. First, we establish historical background of New Zealand's relations with the UK—over centuries and in the context of European integration. We then introduce our theoretical frameworks and discuss methods of research. After that, we present our empirical findings before concluding that the British decision to leave the EU was viewed emotively within a New Zealand context. These highly negative emotions were compounded by the election of Donald Trump later in the year.

1 Building the Context

New Zealand is a former British colony and a member of the Commonwealth. With its historic reputation of 'Britain in the Pacific', New Zealand has experienced long and close relations with its metropole. Even as late as the 1950s, some New Zealand-born citizens still considered themselves as British. This feeling of closeness provides some elucidation towards explaining why it was a shock when, as early as the 1950s, Britain made it clear to New Zealand officials that they intended to join the EEC.¹¹

The UK's accession to the EEC in 1973 was compared in New Zealand public discourses to the 'cutting of apron strings'—'mother Britain' had left and the discourse of abandonment seized public imagination in New Zealand.¹² This discourse was magnified by New Zealand's perceived economic loss. Yet, some commentators have noted that the NZ–UK relationship prior to 1973 was not necessarily altruistic with New Zealand exports to Britain 'governed by British self-interest'¹³ New Zealand's total percentage of exports to the UK had also been consistently decreasing, meaning that New Zealand's trade reliance on the UK was not as important as popular perception.¹⁴ Importantly, the negative perception felt in New Zealand of the UK the EEC has continually influenced perceptions and although trade disputes have largely subsided, negative perceptions remain, particularly when it comes to European agriculture.

Concurrently, as Britain sought to access to the EEC, the British public and political debate resulted in mixed perceptions about British entry to the 'club' when membership was granted in 1972. The result of the incumbent Labour party manifesto was a nation-wide referendum in order to put to rest the debate about British membership for good (at least in principle). Yet, British perceptions continued to be equated with Euroscepticism, with Margaret Thatcher, often wrongly credited with being anti-Europe. British Euroscepticism has arguably filtered through to New

¹¹Chaban and Christie (2015).

¹²Bain et al. (2012).

¹³McAloon (2016).

¹⁴Gibbons.

Zealand perceptions, for instance through the heavy use of British sources in local print media.¹⁵

At the time of the Brexit vote in 2016, New Zealand–EU relations were arguably at an all-time high. The first legally binding treaty, the Partnership Agreement on Relations and Cooperation (PARC) was in the final processes of ratification. Perhaps more importantly, both sides had announced their intention to pursue negotiations on a comprehensive free trade agreement. These two developments may serve to explain why the New Zealand media commentators were surprised, and somewhat dismayed, by the outcome of the UK referendum as shown in our results section.

It is not surprising that most of the current literature on Brexit addresses the issue from an internal perspective considering either consequences for the UK or the EU, as well as European reactions to the developments around Brexit.¹⁶ Adler-Nissen et al.¹⁷ that made an important contribution to the potential global impact of Brexit. Another exception is a multi-country study of the perceptions of the EU and UK in the period of uncertainty following the ‘Yes’ vote.¹⁸ While New Zealand case is a part of the latter research,¹⁹ their case has not dealt with emotive side of New Zealand’s reaction exclusively. Our study addresses this gap.

2 Theoretical Frameworks: Conceptual Synergies

2.1 *EU Perceptions Framework of Temporal and Spatial Filters*

Understanding images is important in order to comprehend how people construct reality.²⁰ Studies of external images and perceptions are traditionally part of IR scholarship, albeit somewhat peripheral. Image theory (developed since the 1950s in the context of the Cold War) has experienced a revival after the collapse of the USSR (in reflection to new global dimension to threats (e.g. global terrorism) and moving beyond state-specific conceptualisations). Arguably, the second resurgent wave is taking place post annexation of the Crimean peninsula by Russia, post Brexit, and post-Trump election, all pointing to a potential collapse of the multi-lateral world order, and in this context raise of populism, nativism and far right. Our study contributes to this scholarly tradition. It shares one of the basic premises of the theory—images in IR are complex constellations of meanings.²¹

¹⁵Kelly (2010).

¹⁶Wincott et al. (2017).

¹⁷Adler-Nissen et al. (2017).

¹⁸Chaban et al. (2020).

¹⁹Kelly and Mochan (2020).

²⁰Herrmann (2013), p. 335.

²¹Herrmann et al. (1997).

We position our inquiry within a strand of studies that study images and perceptions in IR in the context of the EU and its external action.^{22,23,24,25,26} This field argues the *relational* nature of perceptions of the EU.^{27,28} Works in the field argue that EU external perceptions vary—they are *location-, issue-, time- and cohort/discourse-specific*.²⁹ Literature in the field also invites scholars to explore how perceptions may differ between *systemic, country- and individual-specific* levels.³⁰ Adding to these conceptualisations, we also relate images of Brexit to the sense of *time and distance*. Here we build on Chaban and Chaban³¹ and Chaban et al.³² on EU external images and perceptions, who inform their research by works by Didelon-Loiseau and Grasland³³ on cognitive mapping and Braudel³⁴ on conceptualisations of spatial and temporal mental models.

In an attempt to explain the variation in external perceptions of Brexit, relevant literature argues that images and perceptions of Others are shaped by a set of factors on *systemic, country-specific* and *individual-specific* levels. Factors of *systemic* character mean that images and perceptions of Brexit, in cognitive and emotive terms, will inevitably relate to understandings of and emotional reactions to global trends, geopolitical contexts and economic interdependencies.³⁵ *Country-specific* factors combine reflections of reality and self-visions of the country's political system, as well as its history and culture, norms and values, media system, and linguistic patterns. Here, we expect that NZ's historical ties to the UK, memories of the UK's accession to the EEC and current successful relations with the EU will matter. We also expect that peculiarities of the NZ media system will affect the framing of Brexit—NZ news media belongs Western Liberal type³⁶ that is characterised by open attitudes to sourcing news internationally, from trusted reputable agencies (a cost-saving strategy in news production). With images and perceptions residing in the minds of individuals, *individual-specific* (or *demographic*) features of the perceivers will also play a central role. Among those are age, gender, region, education, income, personal contacts with the EU (direct and mediated by colleagues/friends/relatives), and interpersonal communication about the Other. According to Keuleers, the *individual-level*

²²Lucarelli (2014).

²³Chaban and Holland (2015).

²⁴Chaban and Holland (2018).

²⁵Elgström and Chaban (2015).

²⁶Chaban and Elgström (2019).

²⁷Chaban et al. (2018).

²⁸Chaban and Chaban (2018).

²⁹Chaban et al. (2013).

³⁰Chaban et al. (2017).

³¹Chaban and Chaban (2018).

³²Chaban et al. (2018).

³³Didelon-Loiseau and Grasland (2014).

³⁴Braudel (1980).

³⁵PPMI, NCRE and NFG (2015).

³⁶Hallin and Mancini (2014).

factors are found to be among the most powerful in shaping the general public's external perceptions of an IR factor.³⁷ In this light, we conceptualise the projection of emotions through media framing as an attempt of the news producers to reach to an individual reader while stirring certain emotive responses. Importantly, these three groups of factors do not act separately from each other—they interact with each other, with many unique combinations. Our study considers these explanatory factors when tracking the emotive framing of Brexit in NZ media. We expect media framing reflect the *relational* nature of EU external perceptions.

Our theorisation of the *relational* character of EU external perceptions includes consideration of the *temporal* and *spatial* distances in imagining Brexit. In the *spatial* dimension, following Chaban and Chaban,^{38,39} we expect emotive framing of Brexit to depend on *location-specific* (NZ-specific) factors (‘endogenous’ factors),^{40,41} *region-specific* factors (NZ is located in the Asia–Pacific geopolitical region, with its own priorities and leading actors), *EU- and UK-specific* factors (exogenous⁴² factors which are typically beyond the control or influence of the 3rd country, NZ in our case), and finally *global* factors⁴³ (the ones beyond the control of the EU/UK and NZ). In the *temporal* dimension, three temporal planes are expected to influence the emotive framing of Brexit: *short-term* history (dramatic changes due to revolutionary, major events), *mid-term* history (between quarter to half of a century), and *long-term* history (centuries of changes).^{44,45,46} Emotive framing of Brexit in New Zealand is arguably impacted by the three temporalities. The “Yes” vote marked a shocking major change and signalled an immediate departure into uncharted policy territory for the UK, the EU and New Zealand as their close partner. The memory of the UK's uneasy accession to the EU in the 1970s—and its consequences for New Zealand—are still a factor. Finally, New Zealand's centuries-long history has a strong UK link and these long-term historical views remain powerful contributors.

2.2 Political Psychology Frameworks

This focus on emotions leads many IR scholars to political psychology. Underlining the *relational* nature of EU external images and perceptions, Chaban et al.⁴⁷ argued

³⁷Keuleers (2015).

³⁸Chaban and Chaban (2018).

³⁹Chaban and Knodt (2020).

⁴⁰Chaban and Magdalena (2014), pp. 195–220.

⁴¹Tsuruoka (2006).

⁴²Tsuruoka (2008).

⁴³Chaban and Magdalena (2014), *supra* n. 95.

⁴⁴Didelon-Loiseau and Grasland (2014).

⁴⁵Braudel (1980).

⁴⁶Chaban and Chaban (2018).

⁴⁷Chaban et al. (2018).

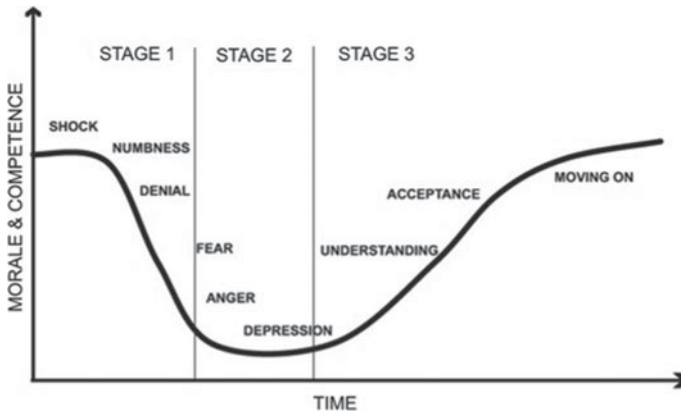


Fig. 1 The Change Curve. *Source* Marc Wright, *Gower Handbook of Internal Communication*, London: Taylor & Francis Group, 2009

that the factors listed above ‘do not act separately from each other—they interact with each other, with many unique combinations’. The nature of Brexit which triggered major uncertainties of existential nature—suggests that a *short-term* temporal plane is of special importance for our conceptualisations. This is not lastly due to the strong emotive charge attached to the information about Brexit. As such, we turn to the field of political psychology to understand the emotive framing of Brexit. It has to be said that emotions have been on the periphery of IR scholarship. In the past, emotions, according to Brader and Marcus, were seen as ‘mysterious or elusive and, hence, not amenable to scientific inquiry’ and ‘declining force as the growth of and reliance on scientific knowledge ... would enable reason to take up the central role in politics’. However, the last two decades witnessed a steady growth of interest towards emotions in the scholarship of politics.⁴⁸ Behind this ‘emotive turn’ is a realisation that any model of social actions and interactions must factor the ‘irrational’ level of emotions.

To chart New Zealand media’s employment of the use of emotions in Brexit coverage over the second half of 2016, we employ a model well known in psychology: the ‘Change Curve’. It is an abbreviated version of the Kübler-Ross ‘Grief Model’.⁴⁹ The Change Curve condenses the Kubler-Ross’ Grief Model into three comprehensive stages of emotions which are expressed over time when dealing with change and are commonly used to predict collective morale and competence whilst processing change (see Fig. 1).⁵⁰ The first stage is shock and denial, which starts off as unobservable behaviour but eventually descends into a negative attitude. The second stage is anger and fear, even depression. These emotions make themselves noticeable through negative effects and an obvious rejection of the change that occurred. The third stage is when the feeling of understanding emerges slowly; it includes the exploration

⁴⁸Brader and Marcus (2013).

⁴⁹Kübler-Ross (1973).

⁵⁰Wright (2009).

of what the new change entails, and a gained sense of competence regarding said change. This in turn leads to acceptance, and a level of morale which is similar to before.

We use the three stages to track and map the emotive framing of Brexit by New Zealand media in the first six months following the UK's 'Yes' vote. The next section details the method of our inquiry.

3 Methodology

The focus of this chapter is on media discourses on Brexit in New Zealand's leading press. As Herrmann notes, 'The pictures people have of other countries become central building blocks in their identification of the threats and opportunities their country faces'⁵¹ and thus have important consequences for policy decisions and future relationships. In this light, framing by the media has the potential to be hugely influential in how the public views an issue.⁵²

We observed three high-circulation reputable dailies in New Zealand—the *New Zealand Herald*, *The Press* and *The Dominion Post*. North Island's most circulated paper *The New Zealand Herald* has a current weekly readership of 785,000,⁵³ South Island's leading papers *The Press* has weekly readership of 278,000.⁵⁴ Leading newspaper in the nation's capital *The Dominion Post* has weekly readership of 306,000.⁵⁵ These outlets are seen as high-quality professional credible media sources. This is significant—Valentino and Nardis⁵⁶ argue that the credibility of the source is one of the important elements, which impacts reception.⁵⁷

Our team considered the framing of Brexit in New Zealand's leading newspapers over 6 months—between June 24 (the day after the referendum) until December 31, 2016. Articles were drawn from two e-databases—*Press Reader* and *Factiva*. The articles qualified as relevant data if they contained the term 'Brexit' at least once in a news article.⁵⁸ The sample of articles in this study is 714.

Adding to the debate on how to research emotions in IR, we approach the study of emotions through the study of language 'as a key through which we gain access to emotions and their constitutive social function'.⁵⁹ In order to quantify

⁵¹Herrmann (2013), p. 337.

⁵²Berinsky and Kinder (2006).

⁵³"NZ Herald's readership continues to grow", *The New Zealand Herald*, 22/6/2017. https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11880473.

⁵⁴<https://www.newstalknz.co.nz/titles-rates-specs/the-press-fairfax/>.

⁵⁵<https://www.newstalknz.co.nz/titles-rates-specs/the-dominion-post-fairfax/>.

⁵⁶Valentino and Nardis (2013), p. 561.

⁵⁷The others being the type of media, organisation of the argument, quality and systematic biases.

⁵⁸Quotations and readers' letters were omitted from analysis.

⁵⁹Heller (2017), p. 75.

and compare the sentiments projected by the newspaper, we measured the prevalence of strong emotive terms—or the lack thereof—over time. We employed a heuristic approach and derived emotive terms from the key emotions included in the Curve Change model discussed above. The key words (and their derivatives) included: *change* (*changes, changing, changed*), *shock* (*shocks, shocking, shocked*), *anger* (*angry, angered*), *fear* (*fears, feared*), *uncertainty* (*uncertainties, uncertain*), *inequality* (*inequalities, unequal*), and *panic* (*panicking, panicked*). We used our PDF Reader's search function to scan each of the news articles for the aforementioned key words, and quantified their occurrences in the table below (Table 1).

The articles were also analysed in terms of the news sources—New Zealand sources vis-à-vis international sources (and UK sources in particular) and according to their sentiment towards Brexit: pro-remain, pro-leave or neutral. Deductions about whether articles expressed an overall pro-remain, pro-leave or neutral attitude were made empirically, and influenced by factors such as the tone of writing, the opinions expressed by the author, the messages conveyed by the heading and imagery, as well as any figures of speech within the text. Finally, we made a note of whether (and how) the 2016 US elections were mentioned in the same article.

4 Findings

4.1 General Visibility

We observed a voluminous coverage of the British referendum and its aftermath by the three selected newspapers in New Zealand—a remote, yet historically connected to the UK small state. In the week following the June referendum alone, the number of articles was an astonishing 126 in the three canvassed publications. Rather predictably, the number has decreased over time. In July there were 175 articles and in 48 in August. What was perhaps surprising was the spike in Brexit topic visibility in the lead up to the US election 2016: 64 articles in September, followed by 44 in October and 139 in November. This intensity continued into December, when 103 articles referencing Brexit were published. Typically, when unexpected dramatic events occur, the intensity in visibility occurs at the beginning of the event and decreases over time. In this instance, the visibility had a different pattern.

Importantly, we witnessed not only an abnormal trend in visibility of Brexit but also an evolution of framing of the British referendum over time. At first, Brexit was portrayed in the New Zealand media as having an impact on either Britain, Europe or New Zealand. Then in November, when Donald Trump was elected as the 45th President of the US, the New Zealand media started to make connections between the two events on a different—global—scale.

Figure 2 summarises the journalistic attitude of the articles referencing Brexit—whether the articles displayed a pro-leave, remain or neutral attitude towards Brexit. Overall, and irrespective of the news sources, the articles were overwhelmingly more

Table 1 Number of emotional terms used

	NZ Herald			The Press			The Dominion		
	Total	NZ	UK (A-S)	Total	NZ	UK (A-S)	Total	NZ	UK (A-S) ^a
	Fear(s); feared	81	51	5 (18)	32	26	6 (0)	41	27
Uncertain; uncertainty/uncertainties	109	88	5 (15)	50	47	2 (1)	34	25	0 (0)
Angry; anger; angered	30	17	4 (6)	25	23	2 (1)	26	7	2 (0)
Change(s); changing; changed	192	165	13 (13)	130	116	10 (4)	142	112	22 (8)
Shock(s); shocking; shocked	80	58	5 (13)	38	35	1 (2)	35	31	2 (2)
Inequality/inequalities; unequal	52	51	0 (1)	31	26	0 (5)	22	27	0 (5)
Panic; panicking; panicked	22	16	3 (3)	9	9	0 (0)	10	10	0 (0)
Total count	564	446	35 (69)	313	282	21 (13)	310	239	38 (17)
Amount of overall articles	350 ^b	266	33 (43)	175	138	29 (8)	189	141	38 (10)

^aA-S: Anglo- Saxon sources = (US and AUS) Table shows the amount of times various emotion-related key terms were mentioned in the respective article collection (24th June–31st December 2016). For the readers' reference, the total amount of articles considered in this analysis can be found in the last column of the chart

^bThe 'total' column includes publications from French sources (8 articles in the *NZ Herald*), which are left out in the closer examination of the New Zealand, UK and Anglo- Saxon (US and AUS) articles

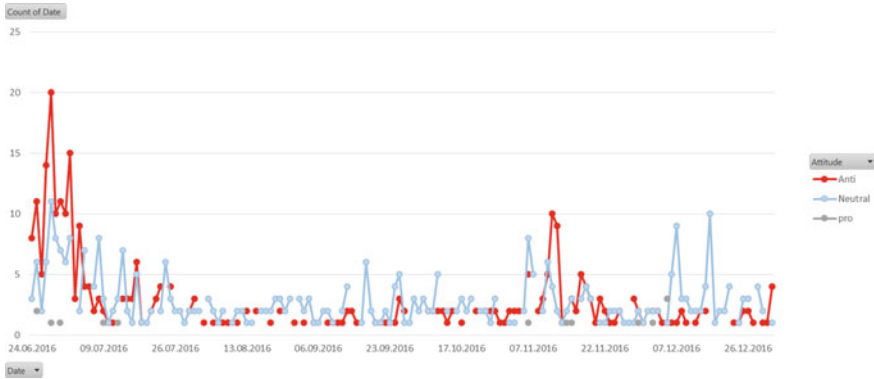


Fig. 2 Number of articles depicting Brexit in positive, negative and neutral terms (N = 714)

pro-remain than leave. Yet, in the months before the election of Donald Trump, pro-leave sentiments were also visible. A spike in articles presenting a negative attitude towards Brexit coincided with the news about US election.

4.2 *Emotive Framing: General Observations*

Our analysis demonstrates that overwhelming number of articles that mentioned Brexit did so through an emotional lens (see Table 1 for the summary of the emotive key terms). A high number of articles on Brexit incorporated emotional words (and analysed in light of the Change Curve model) such as *fear*, *uncertainty*, *anger*, *change*, *shock*, *panic* and *inequality*. The use of these terms occurred in 462 out of 714 articles (65%) in the period under consideration. The most frequent word observed in the articles was *change* (192 times), followed by *uncertainty* (109 times). Mentions of *anger* (30) and *panic* (22) also featured but not as prominently.⁶⁰ Some articles featured more than one emotively charged word (Table 1).

4.3 *Emotive Framing: Factoring News Sources*

As discussed above, a former British colony and English-speaking country, New Zealand has heavily relied on British news sources in order to be informed about Europe and the EU.⁶¹ Our next level of analysis stems addressed our first three

⁶⁰This number includes all the key terms in total, some of the terms were more common in some articles than others.

⁶¹Kelly (2010).

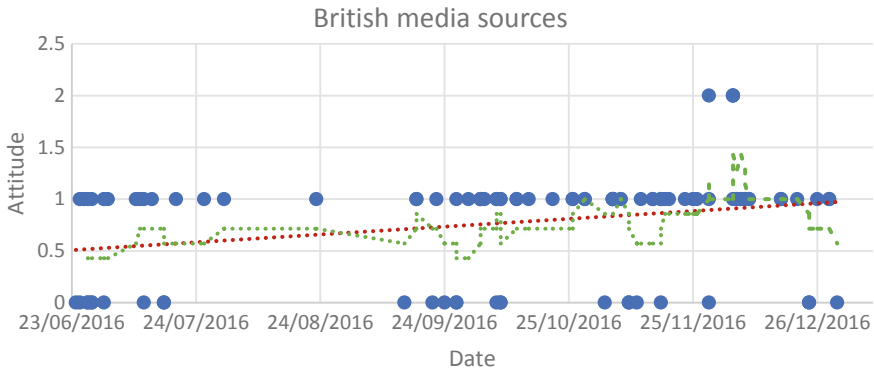


Fig. 3 Attitudes towards Brexit from British media sources

hypotheses—that British news sources would be more emotionally invested on issues of Brexit than geographically distanced New Zealand authors would.

Over the period examined, 100 articles referencing Brexit were sourced from UK sources vis-à-vis 547 articles written by New Zealand sources. Figure 3 charts the level of emotivity of the news items in the New Zealand media from the UK sources, with attitudes of 0 (negative and including a high level of emotive terms); 1 (neutral with only little linguistic emotivity) and 2 (positive towards Brexit and only very limited use of emotional terminology). We discovered that during the first months following the vote, the attitude conveyed in the British media sources was mainly negative; however, over time news coming from the UK sources projected a message of accepting Brexit, as the attitudes started averaging and eventually surpassing 1 (neutral). The analysis of the texts, in consideration of the key emotive terms indicated in the UK-sourced news over time, showed that the situation was presented as though the public was moving past earlier stages of ‘grief’—as predicted by the Change Curve model. Such a reaction could be attributed to the British culture of having a ‘stiff upper lip’, but we suggest that there is more at play. Arguably, British journalists also were pragmatic in projecting the messages of a fast move beyond the grief stages. More reasons are outlined below.

Figure 4 demonstrates the distribution of emotive messages in the news items written by local, New Zealand authors. In contrast to the trend identified in Fig. 3, we identified that New Zealand authors were less likely to be moving past the initial grief stages onto acceptance. As pictured below, the negative sentiments and emotivity of the evaluated articles were so prevalent that the average attitude never even came close to 1 (neutral). Put in context with the Change Curve, this indicates that New Zealand media appeared communicate a sense of being ‘stuck’ in the earlier stages of grief (shock, denial, fear and anger) for a much longer time than their British counterparts. This is in some ways a surprising finding, given that Brexit occurred halfway across the world and New Zealand’s ties to ‘mother Britain’ are much less than they used to be.

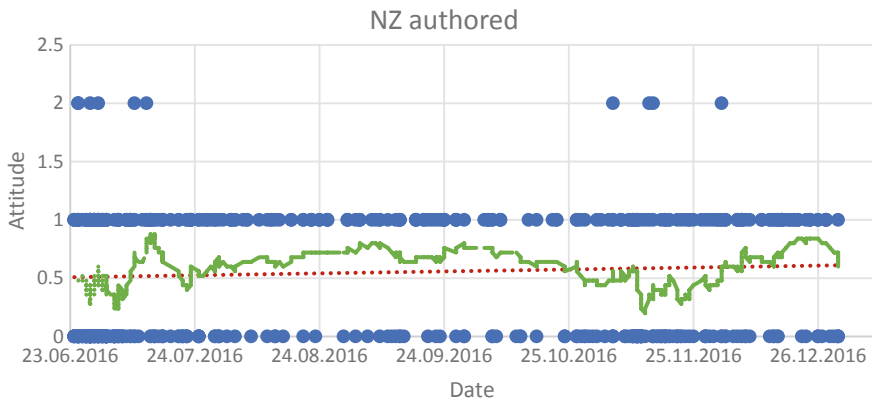


Fig. 4 Attitudes towards Brexit in NZ authored sources

Why did NZ-sourced news feature a different emotive pattern, more resistant to positivity and optimism about the change imposed by Brexit? This study proposes several explanations. First, in the New Zealand coverage, Brexit was often associated with negative phenomena such as the rise of populism, xenophobia and racism. New Zealand media commentators used the Brexit example to demonstrate that New Zealand was, and New Zealanders are, different than Britain and above such issues. For instance, *the New Zealand Herald* printed an article on Brexit which stated, ‘Politically and economically, New Zealand remains an island of stability in an uncertain world’.⁶² This feeling of superiority was echoed by a commentator at *The Press*, who discussed the results of the referendum resulting in an increase in British migrants wanting to leave the UK and move to New Zealand: ‘In the days following the shock Brexit vote, Immigration New Zealand and local medical recruitment agencies registered a huge upswing in interest from doctors, nurses and allied health staff wanting to sling their hooks and stethoscopes Down Under’.⁶³

This feeling of being removed, and even superior to Britons who voted to leave the EU was evident throughout the observed reportage. For instance, one article stated: ‘In Britain, our other English-speaking cousins are wondering about the wisdom of Brexit. Of course, every British slum-dweller hates a bureaucrat, especially one from Brussels. But when they found out that Brussels gives them money and won’t keep on giving it after Brexit, some felt betrayed’.⁶⁴ Of special interest is article’s definition of the British public as New Zealand ‘cousins’, presumably indicating that the ‘mother–child’ relationship of the 1970s is well and truly over. Secondly, it implied that the UK’s voting members of the public were misinformed about what they were voting for.

⁶²“Editorial: Poll gives John Key every chance of a fourth term”, *The New Zealand Herald*, 14/9/2016. https://www.nzherald.co.nz/opinion/news/article.cfm?c_id=466&objectid=11708934.

⁶³“Desperately seeking what we’ve already got”, *The Press*, 22/6/2016.

⁶⁴“Boxing day second thoughts”, *Dominion Post*, 26/12/2016.

Another reason to the negative emotive framing is connected to the election of Trump—a political development on the global stage that signified the advancement of protectionist policies and a potential end to the multilateral world order. For instance, one NZ commentator noted, ‘In this increasingly hostile environment, how should purist free-trading New Zealand play its hand?’⁶⁵ Smellie was concerned that New Zealand’s record as one of the most trade liberal countries in the world would need to start to seriously consider how it operates in a new global system which is perceived as more protectionist. An article published only two days later cited prominent New Zealand economist, Shamubeel Eaqub, who claimed that Brexit and Trump ‘had significant implications for globalisation and [...] the world was heading toward ‘a much darker age’ that was more insular and protectionist, which will affect a number of Kiwi businesses’.⁶⁶ Both of these articles relied on making international events more relevant for local audiences through the use of ‘local hooks’.

Importantly, with the course of time, the framing of Brexit changed in NZ leading newspapers—from an internal British and European issue following the ‘Yes’ vote to a showcase of the worldwide trend towards populism following the election of Trump. It is at this moment when the New Zealand media began to once again reference Brexit with a higher intensity than in the preceding months. This time the event of Brexit, linked to the outcomes of the US election, was used to project a particular narrative about New Zealand. In this narrative, New Zealand has become a beacon of hope in a world dominated by racism and protectionism. For instance, the commentator Whittle announced that ‘In the wider world of Brexit, Trump and the worrying resurgence of nationalism, the ability to distinguish the sensible from the unconscionable is urgently needed’.⁶⁷

Although unrelated to the Change Curve Model, one finding from our research was particularly important in conveying New Zealand’s self-identity: An article published in *The Press* stated: ‘The Brexit vote earlier this year and the election of Trump are social phenomena that demonstrate now is the time to get deadly serious about addressing inequality’.⁶⁸ This quote mirrors the sentiments conveyed in a publication from 3 months earlier, which pointed out that ‘There has been much written overseas about the factors driving the Brexit/Trump phenomenon but if there is one finding that may resonate with New Zealand voters it is that much of it is driven by people’s fears their children will have fewer opportunities than they did’.⁶⁹ In other words, Brexit and the US election, events which were geographically removed from New Zealand were an opportunity for New Zealand media to redress its country’s own inequality issues, over the course of several months. A change of government in New Zealand to the Labour government may be tentatively linked to the feelings conveyed in the local media—that we are different from these two events but that we can, and should, also learn from them.

⁶⁵“Politics of trade just got trickier”, Dominion Post, 27/10/2016.

⁶⁶The New Zealand Herald, 29/10/2016.

⁶⁷“Why schools should teach philosophy”, The Press, 30/11/2016.

⁶⁸“Inequality has bred contempt”, The Press, 11/11/2016.

⁶⁹“2017: Popularity, predicatability, Peters”, The Dominion Post, 20/8/2016.

As already demonstrated, New Zealand authors linked Brexit and Trump to populism and suggested that New Zealand was above such a trend. Furthermore, many authors assumed that the uncertainty emerging in the affected countries would lead to large numbers of wealthy people immigrating to New Zealand, putting pressure on an already stretched housing market. This theme was illustrated by several articles.

In June, the *NZ Herald* released an economic commentary article which included the following statement: ‘Put simply, the economic reality is that New Zealand right now is a place where a large number of people would love to come and live. That is challenging on many levels, not least housing supply, but it is also valuable. We have to make some big and careful calls about immigration in the next few years’.⁷⁰ Five months later, an article by Edmunds for the *Dominion Post* included a similar outlook to the future of New Zealand housing: ‘Carmen Vicelich, of property data website MyValocity, said the Trump win combined with existing uncertainty as a result of Brexit would have an effect on New Zealand. She said more people wanting to move to New Zealand, combined with expat New Zealanders coming home, would add to the pool of buyers looking for properties’.⁷¹ The insecurity about the impact of immigration resulting from recent world events indicates that New Zealand media does have the potential to experience protectionist sentiments, which implies a paradox in emotion. On one hand, New Zealand condemns protectionism, but on the other hand, it fears that immigrants fleeing this exact reality may create inequalities on the local housing market.

5 Discussion

Returning to our hypotheses, H1 predicted that NZ’s influential media would frame Brexit in emotive terms, depending on its sources. We find this overarching hypothesis is supported, yet in an unanticipated way. Our second hypothesis expected that UK authors would report Brexit news in a more emotionally invested (negative) position than New Zealand authors (H2). We anticipated that New Zealand authors would present a more ‘watered-down’ framing of Brexit in emotive terms, not least due to the geographical distance as well as diverging historical paths after the UK’s accession to the EEC in the 1970s (H3).

Our findings in fact pointed to a reverse dynamic. The news published in New Zealand newspapers which originated from the UK appeared to present a more refrained emotive framing of Brexit over the time period analysed. By contrast, New Zealand authors reported Brexit from a much more emotional perspective, with lots of negative emotions. These negative emotions were able to be clearly mapped against the ‘grief model’. A more refrained emotional profile rendered by the UK

⁷⁰“Liam Dann: Reserve Bank well placed for Brexit fallout”, *The New Zealand Herald*, 26/6/2016. https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11663837.

⁷¹“Election could lead to pricey Mortgages”, *The Dominion Post*, 12/11/2016.

sourced news could be explained by the newsmaking process and the phenomenon of the commodification of news. In order to be sellable globally, many UK sources may choose to de-emotivise their reportages, to appeal to a broader market. A more engaged, partisan reportage risks limiting the potential buyers of news around the world.

In the case of news articles with New Zealand authors, we suggest that for New Zealand, the referendum result meant that once again New Zealand ‘lost’ the UK—a familiar constellation was once again shattered. The first time was in the 1970s, when there was a perception that the UK abandoned New Zealand by severing old Commonwealth allegiances and links in order to join the European Economic Community. This time, in 2016, the perception is that the UK abandoned the EU, denting the European integration project. The irony about this decision was that it happened at a time when EU–New Zealand relations were at an all-time high—trade tensions had been largely ironed out (particularly through the GATT and later WTO arrangements). Further, the EU–New Zealand PARC Agreement had recently been finalised and the announcement had been made about the intention to pursue a Free Trade agreement.

We stress that our attention to the words ‘fear’, ‘anger’ and ‘uncertainty’ point that, for New Zealand news authors, Brexit presents a ground to render the highly emotions of ‘uncertainty’—the changing world order signified by Brexit in the context of Trump’s election makes them ask the question ‘what it means for NZ’s economy?’ and ‘if NZ is going to be hurt again?’. This emotion relates to the emotion of ‘fear’.

Regarding our fourth hypothesis, we expected that normative common grounds between New Zealand and the UK—two western democracies sharing a set of values—would result in framing the UK by NZ newsmakers from a positive-to-neutral perspective, reflecting on the feeling of historical kinship (H4). Our analysis did not support this hypothesis. In fact, New Zealand’s values were often contrasted with Britain’s. This is another important finding of our study as Nelson et al.⁷² state ‘Judgements about the relevance, applicability, and importance of competing values are matters of perception and interpretation—precisely the sort of responses targeted by framing’. In our case, Brexit was used to frame the UK as a ‘normative Other’ to New Zealand—a place where populism, xenophobia, racism and intolerance went wild, with New Zealand presented as a very different place—a place on the higher moral/normative grounds.^{73,74} In this instance, the UK was labelled a “cousin” by New Zealand newsmakers, rather than a “mother”, as it was in the 1960s or early 1970s coverage of the UK’s accession to the EEC.

Finally, our fifth hypothesis was supported. Trump’s victory did influence the framing of Brexit in NZ media. First, it triggered a shift in the cognitive ‘filling’ of the Brexit frame. The frame has shifted—from framing Brexit as a regional story of the troubled EU and the shaken architecture of the European integration, to a different mental schema, with a more global flavour to it—‘negative populist development’,

⁷²Nelson et al. (2015).

⁷³Chaban and Greenland (2014).

⁷⁴Chaban and Pardo (2018).

‘together with Trump’s victory, it is the end of the order we knew’. In this context, it intensified negative feelings attached to it.

The findings in this chapter have more than theoretical implications. First, by remaining stuck in the early stages of grief New Zealand newspaper readers, including officials, may also find it difficult to move on and react appropriately to the evolving situation. As the EU and UK combined represents New Zealand’s third largest trading partner, New Zealand’s economic livelihood is potentially threatened with the outcome of the Brexit negotiations. Therefore, it is important that New Zealand’s trade officials are proactive in dealing with the developing political situation.

Politically, New Zealand has now a huge task ahead—to forge new relationships with Europe, while pulling away from the UK which, 60 years ago was viewed as a parent to our young nation and has always been looked on favourably. For instance, diplomatic resources, which were pulled from Europe towards Asia around 10 years ago are now moving back to Europe—new New Zealand embassies were opened in Ireland and Sweden in 2018.

Peffley and Hurwitz⁷⁵ have looked at the ‘consequences and causes’ of image change in the case of an enemy (the Soviet Union). They found that foreign policy images are generally quite stable and difficult to change. Moreover, these images have important, measurable consequences—being filtered foreign policy.⁷⁶ In our case, Britain (and to a lesser extent the US) has traditionally been looked upon by New Zealand as a like-minded country with shared values. Resultantly, the UK and the US, through Brexit and Trump, have been viewed from a rather negative perspective, potentially denting their images in the minds of the public. While we do not argue that these images mean that the two states have changed their images to a dramatic image of an ‘enemy’, but both have been certainly framed as the ‘not us’ and as having values somewhat differing from New Zealand values.

Our study has analysed the potential impact of the New Zealand media’s portrayal of the British referendum and its aftermath. While the media has been credited with having some influence over perceptions, this is not the complete story.⁷⁷ Future studies may analyse the impact of the media messages onto New Zealand elites and public. Future research may also analyse EU-specific publications (e.g. *EU Observer*) or EU member states’ media and their mapping of Brexit against the Curve Change analytical model.

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⁷⁵Peffley and Hurwitz (1992).

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Chapter 12

The Dynamics of China's Trade Ties After a Brexit Announcement, UK and EU



Judy Yo-Ming Wu

Abstract The biggest challenge posted by Brexit comes from the uncertain future of the British economy. As researchers suggested, Brexit will also harm the European economy by a long turn dipping in an instability consequence. In 2019, the trade volume between the UK and China reached US\$86.2billion, making Britain China's second largest trade partner in Europe, behind Germany. Brexit would undoubtedly pose challenges for the trade ties between China and UK. Analysing the dynamics of China's trade ties with a post-Brexit UK and EU, this paper focuses on the China—UK empirical involvement to establish the 'Golden Era' declared by two counterparts in September 2016 and the implementations of the China—EU partnerships base on the New EU Trade and Investment Strategy. This paper will also examine if the Brexit casts a shadow on China's prospects of economic cooperation with Britain. This paper will also cover the EU's efforts to enhance its trade crucial role by seizing opportunities through partnerships with China, which leads to foster the engagements of the new issues concerning the China-led 'Silk Road Economic Belt' initiative. And the decision in late January 2020 of both the EU and UK be willing to accept China's 5G telecommunications company, Huawei, which the USA described as an arm of the Chinese state giving its security design. Nevertheless, to echo US's accusation, UK announced in July that the UK's mobile providers are being banned from buying new Huawei 5G equipment after 31 December 2020.

Index Terms Post-brexit · China's trade ties · UK · EU

1 Introduction

The biggest challenge posed by Brexit comes from the uncertain future of the British economy. If the world's fifth largest economy goes into recession as a result of the Brexit process, the ramifications for the world economy will be significant, casting a shadow on China's prospects of economic cooperation with Britain. Originally,

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Brexit means that the UK will leave the EU bloc, a unified single market. This will raise UK's import tariffs and the price of exports to the EU, and increase non-tariff barriers for trade between the UK and EU member states, thus raising trade commodity prices and dealing a heavy blow to Britain's international trade. Given the high economic interdependence of Britain and the EU, the two sides need to exercise prudence in future negotiations on issues related to market treatment.

In 2015, the trade volume between the UK and China reached US\$78.5 billion, following the referendum held in June 2016, when 17.4 million people opted for Brexit, the trade volume between the UK and China reached US\$86.2 billion in 2019, continuously making Britain China's second largest trade partner in Europe, behind Germany. Brexit would undoubtedly pose challenges for the Trade Ties between China and UK. The UK formally left the EU on 31 January 2020, but there is still a lot to talk about and months of negotiation to come. If a new trade tie between UK and EU cannot be agreed in time, which already been tested as being quite possible, given that the Covid-19 outbreak has postponed the negotiation, then the UK faces the prospect of having to trade with no deal in place. That would mean tariffs (taxes) on UK goods travelling to the EU and other trade barriers. From a UK perspective, it is crucial that the trade tie with China be further enhanced to reduce the impact of Brexit.

The EU is China's biggest trading partner, while China is the EU's second-biggest trading partner behind the USA. Based on clearly defined interests and principles, the EU should deepen its engagement with China to promote common interests at a global level. The EU and China launched negotiations on the CAI (EU-China Comprehensive Agreement on Investment, CAI) in 2014. The European Commission conducted an impact assessment in 2013. A Sustainability Impact Assessment was carried out between 2015 and 2018 to assess the potential economic, social and environmental impacts of the agreement. With the EU-China (CAI), the EU seeks to create new investment opportunities for European companies by opening China's market and eliminating discriminatory laws and practices that prevent them from competing in the Chinese market on an equal basis with Chinese companies and companies from other third countries. The EU's key objective is to significantly improve EU investors' access to the Chinese market, in particular by eliminating quantitative restrictions, equity caps or joint venture requirements.¹ According to the '*EU-China: A Strategic Outlook*', signed after the EU-China summit in Brussels on April 9 2019, EU and China agreed to strengthen their trade relationship, cooperate on WTO reform, widen market access, and not force businesses to hand over their intellectual property—the last a longstanding complaint of foreign investors in China.² Nevertheless, the challenges for both sides to achieve the consensus towards the conclusion of an ambitious agreement in 2020 are still rigorous.

¹Source: European Commission, News archive, 27 April 2020.

²Source: Eu (2019).

2 Dynamics of China's Trade Tie with a Brexit Announcement, UK

The notion of a Golden Era in UK–China relations was originated by the government under former Prime Minister David Cameron, to promote Chinese President Xi Jinping's UK visit in 2015. The two countries were to form a 'global comprehensive strategic partnership', with the UK representing China's 'best partner in the West'. In December 2017, at the time of the ninth EFD(UK–China Economic and Financial Dialogue), the British government announced a 'new phase' in its so-called Golden Era of relations with China, with agreements to cooperate more closely in such arenas as financial services, trade, and investment.³

Brexit has obviously drastically changed the picture of Golden Era. China established its first overseas sovereign RMB bond in London, viewing the UK as a gateway to the EU market. Unexpectedly, after a Brexit announcement of UK, the decoupling of the EU–UK in trade policy generated potential closer trade ties with China in a post-Brexit UK. Just days after the 2016 referendum, the Brexit secretary, David Davis, declared that 'trade deals with the US and China alone will give UK a trade area almost twice the size of the EU'.⁴ However, The UK is scanty of obvious sector that China sees as of compelling benefit to its own interests, so an ambitious deal is unlikely to be agreed speedy.

In terms of the UK's relative performance at attracting Chinese investment, the UK appears to perform well when compared to its EU partners. The Rhodium Group reports that over the years 2003–2011, the UK has received the second-most amount of Chinese FDI out of the EU27 (in terms of the total dollar value of investment deals recorded), behind only France. The well-known Britain's nuclear plant Hinkley Point C project, notably the first new nuclear plant, is 33.5% financed by China CGN (China General Nuclear Power Corp). Furthermore, The first Chinese-designed atomic reactor scheduled to be build in Britain has passed three out of four assessment stages of the nuclear green light of Britain's Nuclear Regulation office in February, 2020.⁵ The approval of energy sector from UK hints a policy keen to China. This approach from UK has even allowed Huawei a supporting role in Britain's fledgling 5G infrastructure. Without concerning the contradictions in five Eye's alliance which would evoke the wrath of Donald Trump, the British government approved a restricted role for Huawei in building the country's 5G network announced on January 28, 2020. The constraints imposed by the political reality, UK announced in July that the UK's mobile providers are being banned from buying new Huawei 5G equipment after 31 December 2020.

³Source: Turner (2018).

⁴Source: Mitter (2020).

⁵Source: Reuters (2020).

The COVID-19 crisis, however, may prove to be a turning point for the UK's political rebalancing act between USA and China. The development of lockdown restrictions, with an unprecedented health emergency, pushes London's desire to accommodate Beijing's market power to the breaking point. However, as this confrontational approach is met by hawkish retorts to simply amount to a war of words, the UK would not afford to jeopardize its two important market in China and the USA.⁶

3 Dynamics of China's Trade Tie with a Brexit Announcement EU

3.1 The EU–China Comprehensive Strategic Partnership

The EU's China strategy is based on a belief that China, under the influence of European engagement, will liberalize its economy toward the direction of sustainable growth, improve the rule of law and democratize its politics. The EU–China Strategic Partnership, based on the 1985 trade and cooperation agreement, has grown to include a multitude of activities in areas such as creating opportunities for both sides' businesses, international security, environment protection, and academic exchange. After three decades of extraordinary economic development, China is shifting to a slower and more sustainable growth path. From the EU's perspective, the priority is to seize the opportunities through the partnerships with China who commits to a more sustainable growth in which to foster a clean industry and reduce emission. China sees Europe as a source of technology, lifestyle goods like fashion garments, wine, cheese, and olive oil for its rising middle class and a market for its high-end products.

3.2 The EU's Engagement with China's 'Belt and Road' Initiative

At the beginning of China's 'Belt and Road' initiative, the EU originally took advantage of the situation in November 2014 to propose a scale of 315 billion euros in infrastructure investment plan (Juncker Plan) to connect with China's 'Belt and Road' (the Executive Committee launched the Eurasian platform in late 2015), and has also launched the Trans-European Transportation Network (TEN-T) policy. Moreover, EU's acting members like Germany, France and Italy have joined the membership of the Asian Infrastructure Investment Bank (AIIB).

However, as China's 'Belt and Road' process has caused a lot of controversy, and the USA has proposed the 'Indo-Pacific Strategy' to counter China's 'Belt and Road', and has repeatedly appealed and questioned in the international arena that China will

⁶Source: Gray (2020).

use the 'Belt and Road' Investment, allowing the landlord's debt to rise, leading to doubts such as the transfer of sovereignty to China, has also raised criticism within the EU, mainly focusing on the lack of transparency in the public procurement process that criticizes China's 'Belt and Road' investment, and the government's support for companies behind it, which causes unfair competition M & A in technology-sensitive sectors. In addition, China is planning to lay a 350-km high-speed railway between Greece and Central Europe in the 'Belt and Road' project connecting Europe and Asia, connecting Serbia and the capital of Hungary, and benefiting Chinese companies to trade directly with Europe. The EU obstructed the case, accusing Hungary of violating the EU's exclusive powers on the common trade policy and the EU's rules on national procurement.

3.3 The EU's Greenlight to Huawei 5G

In 2020, it will move beyond strategic tech sectors like semiconductors, cloud computing, and 5G into broader economic activity. Aiming to participate the trend of 5G, in which affect not just the \$5 trillion global tech sector, but other industries and institutions, EU gave its greenlight to Huawei following the approval of UK. Before the approval announcement, EU member states have different practices in terms of joining the USA in blocking Huawei's infrastructure, giving the move could benefit the States in its trade bargain with China. Considering Huawei is already the largest global provider of telecoms equipment and the company is gearing up to roll out 5G network infrastructure across the globe, certain EU member states hesitate in blocking Huawei's infrastructure. According to the EU Commission decision on March 26, 2019, EU member states will be required to share data on 5G cybersecurity risks and produce measures to tackle them by the end of 2019. Austria, Belgium, Czech Republic, France, Germany, Greece, Hungary, Ireland, the Netherlands, Lithuania and Portugal are all preparing to auction 5G licenses in 2020.

Globally, Huawei is a leading 5G technology vendor, enjoying an edge over Sweden's Ericsson and Finland's Nokia in offering high-tech, low-cost gears to telecommunications operators such as Vodafone. Huawei has decided to set up manufacturing bases of 5G equipment in Europe, in order to have 5G for Europe made in Europe announced in the early February, 2020.

4 Conclusion in Trade Tendency

The EU's retaining too many of its former favourable terms with Britain would likely fuel Euroscepticism. Being overly stringent with the UK, however, will harm the European economy, which is still struggling to recover. Therefore, the two sides should seek a way to gain maximum benefits for both sides.

Brexit will nevertheless inhibit the UK's access to gains by virtue of the unified EU market. Whatever the proposed plans, investors' confidence in the prospects for the UK economy has been shaken, exerting negative impact on economic development. Britain has still not put forward any plan for discussion. Uncertainty will be a big feature of the Brexit process over the next few years. Currently, China–UK trade considers competitive lower trade volume, so Britain's economic recession will not hugely affect China's economy. However, the impact of Brexit uncertainty on the recovery of the world economy will definitely influence China's economy under the 'new normal'.

Confronting the crisis of the Covid-19, global growth will turn sharply negative in 2020, as *World Economic Outlook* predicted. In fact, we anticipate the worst economic fallout since the Great Depression. Given the necessary containment measures to slow the spread of the virus, the world economy is taking a substantial hit.

Brexit will also likely deal a heavy blow to the British financial industry, as financial institutions in London face the risk of losing service permits from the other 27 EU member states. In addition, according to EU financial regulations, if a financial institution set up in the UK is regarded as a third party when entering the EU market, it must satisfy all supervision requirements set by its home country—Britain—as well as the EU country, which will significantly hike supervision costs. In the post-Brexit era, whether the European Central Bank will allow London to be a euro trading centre remains to be seen. London's position as a financial centre, therefore, could be seriously impaired. All these factors cast gloom on the prospects of China–UK financial cooperation.

Aiming at interests from bilateral relations with UK, keeping bilateral relations with Britain 'golden' is both economically and politically important for China. From China's perspective, as UK depending more and more in China in the future, this will present a new opportunity for trade. Furthermore, China sees the UK as a political partner and a leading voice for granting China market economy status.

As a country with the world's largest population and fastest-growing consumer market due to increasing disposable income, China represents a key market for British exports. Trade volume has been rising at a steady pace, if there is a trade agreement reached between the two countries in the future, this growth is sure to continue.

The UK exports a myriad of products to China, representing a cross-section of British industry and services. Looking at trade in goods only, the UK exported £18.0 billion to China in 2018, a record high, up from £17.4 billion in 2017. UK imports of goods from China were £43.0 billion, up slightly from 2017, resulting in a trade deficit of -£25.0 billion in trade in goods. The UK had a surplus of £2.9 billion on trade in services with China in 2018, exporting a record high of £4.6 billion of services and importing £1.7 billion. The UK has now recorded an overall trade deficit with China every year.⁷ The UK's share of the Chinese market has fallen, and the reason the UK underperforms in regards to export performance in China is that its more

⁷Source: Statistics on UK trade with China. House of Commons library, Number 7379, 5 November 2019.

successful exports are not in line with China's current demand. Other EU countries have stronger trade relationships with China, and competition in the Chinese market is very tough.

The sectors that provide the greatest income include machinery, fuels, metals, transportation services, business services, and travel services. However, the volume of UK exports to China is not exactly aligned with the rate of China's market growth. As China's economy transitions from heavy manufacturing to a service-driven economy, the balance of demand across the varying industries will shift. With services coming to the forefront of demand, the UK's greatest goods exports in terms of value to China (such as machinery, electronic products, precision instruments, and metals) will be less in demand. These shifts in China's calibration should be monitored by UK-based businesses in order to align offerings with China's demands, especially as the UK already excels in its service sector.

With the EU-China (CAI), the EU seeks to create new investment opportunities for European companies by opening China's market and eliminating discriminatory laws and practices that prevent them from competing in the Chinese market on an equal basis with Chinese companies. The engagement of EU-China (CAI) would be weighted more crucial after Covid-19 crisis.

Overall, the technical debate over securing 5G networks centres on claims the security from USA. However, a commentary from the technical director of the UK's National Cyber Security Centre (NCSC) describes this proposition as 'untrue'. He asserts the continued feasibility in 5G of separating high-risk vendors from sensitive data and functions despite the blockaded policy fixed in Trump administration. Nevertheless, China's One Road One Belt initiative would be the target to criticize from both USA and EU.

In conclusion, for both the EU and UK, an ambitious engagement trade tie with China would be the main theme to generate an 'uptick' for the following years as China looks to further widely open in response to the trade negotiations with the USA. China's trade ties after a Brexit announcement UK and EU would be tighten in line with launching up to more international investment by China.

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Chapter 13

BREXIT and India: Challenges and Opportunities



Pradeep S. Chauhan

Abstract BREXIT provides opportunities and also poses challenges to India. India–UK relations are both wide ranging and robust, encompassing a broad vision for the future supported by a concrete and comprehensive road map for bilateral and global engagement. High-level visits on both sides in recent times have provided an opportunity to further cement the partnership.

While the EU is among India's largest trading partners, accounting for around 13% of India's global trade in goods, the UK is ranked 17th in the list of India's top 25 trading partners with India's merchandise trade with the UK in 2017–18 estimated at US\$14.5 billion with an additional US\$7 billion trade in services. India enjoys a favourable balance of trade with UK. When it comes to investments, UK is ranked as the fourth largest inward investor in India, after Mauritius, Singapore and Japan, with a cumulative equity investment of US\$26 billion since April 2000, accounting for around 6% of all foreign direct investment into India. India also is a major investor in the UK (4th largest). Around 800 Indian companies, with a total consolidated revenue of GBP 47.5 billion, have created over 105,000 jobs in the UK. The technology and telecom sector account for 31% of these revenues, with the pharmaceuticals and chemical sector accounting for 24%.

This study found that the Brexit would have not only impacted UK's trade and investments with the EU but also its other trading and investment partners. Indian companies, many of which have invested heavily in the UK are likely to be quite severely impacted by a no-deal Brexit, particularly those companies that use the UK as a gateway to the European Union and Europe. Even companies that did not have a significant exposure to the EU felt the impact as a no-deal Brexit lead to a perceptible economic downturn in the UK. Major investors like the TATA group was already hedging their bets and exploring alternatives.

The study revealed that irrespective of a hard or a soft Brexit, UK has clearly identified India as a major partner, particularly in the post-Brexit era. The focus on

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India by successive regimes and UK different ministries was a testimony to the value attached to India as a major trading and investment partner.

The present study reviewed and found that the UK and India share much in common and long and sometimes painful history has brought the two countries together through language, culture, and legal systems. How these factors, along with close ties in investment and education, and the presence of 1.45 million people of Indian heritage in the UK, revealed that the countries have a deep connection. The post-BREXIT era had opened many gates of opportunities. This era has created an atmosphere where both the countries have come closer and working closely in the area of trade, investment and movement of people, global governance, and security and defence.

The UK ceased to be a member of the EU from February 1, 2020 and is no longer part of the bloc's institutions. Its departure took effect under the terms of the revised divorce agreement struck by London and Brussels in October 2019. The deal consists of a Withdrawal Agreement on the terms of departure, accompanied by a Political Declaration on future ties. The divorce terms in the Withdrawal Agreement cover matters such as the UK's financial settlement, provisions for Northern Ireland, and safeguards for the rights of EU citizens living in the UK, and Britons living on the continent. Under the divorce deal, a **transition period** came into effect upon the UK's departure and will run until December 31, 2020. During this period, many existing arrangements will remain in place.

The UK left the European Union now an economic and political partnership of 27 countries on **January 31, 2020**, 'bringing to an end 47 years of British membership of the EU and the institutions that preceded it'. Attention has since turned to negotiating the future EU–UK relationship beyond a stand-still transition period that ends on **December 31, 2020** heralding abrupt and major changes unless there is an agreement. Meeting this tight deadline was a huge challenge, even before the onslaught of the coronavirus pandemic which has overwhelmed both sides. But the British government has rejected calls to extend the transition.

'Brexit'—'the term used to describe Britain's EU departure represents the most important constitutional shake-up the UK has known since it joined the six-nation European Economic Community in 1973. It is also the first time the European institution has lost a member first time'.

1 Review of Literatures

In the context of consequences of Brexit, 'very few studies have been performed. Oehler et al. (2017) conduct event analysis study analysis to determine short-term abnormal stock returns following the Brexit referendum. They also examined whether firm-level internationalization helps in explaining abnormal returns. The study found that stock with higher proportions of domestic sales realized more negative abnormal returns than stocks of firms with more sales abroad'. Irwin (2015) 'seeks to assess the evidence on the impact of Brexit on both UK and the rest of Europe. He analysed

the different channels such as Trade with Europe, FDI, liberalization and regulation, Industrial policy, Immigration, Financial services, Trade policy, International influence, Budget and Uncertainty. This report concluded that the biggest impact would be on the UK as compared to EU'. Dhingra et al. (n.d.) concluded that 'economic consequences of leaving EU will depend on what policies the UK adopts following Brexit. They also revealed that Brexit will lower trade with EU and this cost to UK economy will far more than gain from lower contributions to the EU budget'. Reenen (2016a, b) predicted that 'leaving the EU would reduce FDI inflows by around twenty two per cent and Brexit is likely to have the effect of significantly lowering FDI coming to UK'. In another study of Reenen (2016a, b), he evaluated 'the long rung economic effects of the UK's decision to leave the EU. He concluded that trade cost will arise with the rest of Europe resulted from some combination of tariff and non-tariff barriers. This study used standard multi country, multi sector, computable general equilibrium model which shows the welfare losses of 1.3–2.6% where dynamic models revealed the incorporate productivity effects suggests that these could rise to 6.3–9.5%'. Miller (2016) 'discussed in his briefing paper various consequences in the different areas of Brexit such as Trade relations, economic impact, employment, agriculture, environment, Fisheries policy, energy and climate change, transport, Immigration, Human right and social security. He concluded that Brexit is favourable from the point of view of social security, freedom in policy-making, employment but there will be negative consequences of Brexit in the form of Trade, inflows of foreign direct investment, communication and mutual international development'.

2 The Scope of This Study

From the earlier studies, 'it was found that so many studies have been done to evaluate the consequences of Brexit on UK and EU but very few studies are carried out to evaluate the impact of Indian economy especially in the context of trade, investment, defence and security sector. This study tries to fill the gap in the existing literature'.

This study found that the Brexit would have not only impacted UK's trade and investments with the EU but also its other trading and investment partners. Indian companies, many of which have invested heavily in the UK are likely to be quite severely impacted by a no-deal Brexit, particularly those companies that use the UK as a gateway to the European Union and Europe. Even companies that did not have a significant exposure to the EU felt the impact as a no-deal Brexit lead to a perceptible economic downturn in the UK. Major investors like the TATA group was already hedging their bets and exploring alternatives.

The study revealed that 'Irrespective of a hard or a soft Brexit, UK has clearly identified India as a major partner, particularly in the post-Brexit era'. The focus on India by successive regimes and UK different ministries was a testimony to the value attached to India as a major trading and investment partner.

The present study reviewed and found that the UK and India share much in common and long and sometimes painful history has brought the two countries together through language, culture, and legal systems. How these factors, along with close ties in investment and education, and the presence of 1.45 million people of Indian heritage in the UK, revealed that the countries have a deep connection. The post-BREXIT era had opened many gates of opportunities. This era has created an atmosphere where both the countries have come closer and working closely in the area of trade, investment and movement of people, global governance, and security and defence.

3 Background

While there has been a surfeit of reporting and analyses, on the reasons behind BREXIT, it may be useful to briefly touch upon the European project itself and the traditional British ambivalence towards it. With its genesis in the aftermath of the World War II, the European project was born out of a widely held belief that a more united Europe would not again fall prey to the large scale destruction and devastation that visited the continent in the wake of the two calamitous world wars of the twentieth century. However, the UK has always portrayed itself, at least domestically, as a reluctant member of the EU. You may recall that it declined to accept an invitation to join the European Coal and Steel Community, founded in 1951 by the Treaty of Paris. Subsequently with the formation in 1957 of 'the European Atomic Energy Community (Euratom) and European Economic Community (EEC) set up under the Treaty of Rome the potential benefits of cooperation became apparent'. This coupled with the post-war recovery in Germany and France led to a rethink across the channel.

Notwithstanding two failed attempts in 1963 and 1967, UK did succeed in its third attempt in 1973 to join the EEC. By that time European cooperation had progressed to a customs union, eliminating all custom duties amongst member states. Within a year of EEC membership, UK started asking for major changes to agricultural and farm policies of the EEC that were more beneficial for countries like France. At this point, it may be useful to recall that the Norwegians had through a referendum in September 1972 scuttled Norway's application for membership of the EEC. Hence the precedent of a referendum already existed. This influenced Prime Minister Harold Wilson to hold UK's first referendum on EU membership on June 5, 1975 and even though the British public supported continued membership of the EU with 67% voting to stay and 33% voting for exiting the EU, within 2 years of entering the EEC, Britain was already exploring exit options. During the course of its membership of the EU, it often sought opt outs over issues like single currency, charter of human rights, justice and home affairs legislation, etc.

4 Impact of Brexit

The extent of impact of Brexit on the UK and indeed the EU will depend on whether UK exits with or without a deal. A no deal Brexit would mean that there would be no transition period after the UK leaves, and EU laws would stop applying to the UK immediately. Unless countervailing measures are taken, this could have disastrous consequences for the UK, while EU would not remain entirely unscathed.

There have been various doomsday scenarios envisaged, including in official documents in the UK, about such an eventuality. It was predicted that Dover port would close down in a few days and there would be disruption in freight traffic links; pharmacies in Scotland would run out of essential life-saving drugs in 3 days; food prices, especially of fresh vegetables and fruits would increase and there could be empty shelves and higher prices in supermarkets; air travel between the island nation and the continent would be disrupted in the absence of an enabling agreement; 'UK students studying in the EU and EU students studying in the UK would face a period of uncertainty'; immigration controls at entry points into the UK would need to be strengthened immediately, with the current long queues at immigration counters in airports like Heathrow increasing manifold and so on. This is not an exhaustive listing of the severe impact that a no deal Brexit would entail but, just an indication of the disruption and chaos that could ensue. No business can plan ahead when there is so much uncertainty surrounding a nation. Brexit without a deal could plunge the UK into chaos and even a recession. The voices of concern of the Bank of England and others cannot be ignored. World leaders also have been cautioning against a hard Brexit.

Hundreds of multi-national companies, especially from India, Korea, Japan and China have invested in UK because of free access to Europe. They are looking at relocating in order to secure their future business and growth in Europe. Some already have 'According to a Bloomberg report earlier this year, 350 British companies were in advanced talks with the Dutch Government to move their businesses to Holland in the event of a no-deal Brexit. Some Japanese, German, French and even British Banks were planning to move to Frankfurt. Sony and Panasonic have moved their headquarters to Netherlands'. All the rhetoric of business with Europe under WTO rules does not take into account the additional duties that would accrue on British exports.

5 Impact on India: Challenges and Opportunities

BREXIT provides opportunities and also poses challenges to India. India–UK relations are both wide ranging and robust, encompassing a broad vision for the future supported by a concrete and comprehensive road map for bilateral and global engagement. High-level visits on both sides in recent times have provided an opportunity to further cement our partnership.

6 Trade, Investment and Movement of People

While the EU is among India’s largest trading partners, accounting for around 13% of India’s global trade in goods, the UK is ranked 17th in the list of India’s top 25 trading partners with India’s merchandise trade with the UK in 2018–19 estimated at US\$14.5 billion with an additional US\$7 billion trade in services. India enjoys a favourable balance of trade with UK. When it comes to investments, UK is ranked as the fourth largest inward investor in India, after Mauritius, Singapore and Japan, with a cumulative equity investment of US\$26 billion since April 2000, accounting for around 6% of all foreign direct investment into India. India also is a major investor in the UK (fourth largest). Around 800 Indian companies, with a total consolidated revenue of GBP 47.5 billion, have created over 105,000 jobs in the UK. The technology and telecom sector account for 31% of these revenues, with the pharmaceuticals and chemical sector accounting for 24%. The trade ties can be resumed to the extent when India was one of the three highest trade partners in 2000, now it is at 17th rank (Table 1).

Brexit will not only impact UK’s trade and investments with the EU but also its other trading and investment partners. Indian companies, many of which have invested heavily in the UK are likely to be quite severely impacted by a no-deal Brexit, particularly those companies that use the UK as a gateway to the European Union and Europe. Even companies that do not have a significant exposure to the EU will feel the impact as a no-deal Brexit will lead to a perceptible economic downturn in the UK. Major investors like the TATA group are already hedging their bets and exploring alternatives.

Both economies rely substantially on their service sectors and while both countries will focus on enhanced market access for their products and services, for India the importance of greater and easier access for skilled professionals, as well as students,

Table 1 UK rank as trading partner to India, and India’s total trade



Source House of Common, UK Parliament Report

would be important. The recent decision by the UK to revert to a 2-year post-study work visa for international students is a welcome development. However, much more needs to be done particularly with respect to easier access for Indian professionals such as doctors, engineers, those in the ICT sector, etc. India will continue to insist on Mode IV access in negotiating an FTA with the UK. This would not be easy given UK's priorities.

Key opportunities for Indian companies post-Brexit could arise in the food and agro products sector since the UK is a net importer of food and food products from the EU. It produces about 25% of fruits and vegetables for domestic consumption. While 30% of its fruit consumption comes from Europe, around 80% of vegetables consumed in the UK is imported from Europe. Indian exporters would need to comply with the regulatory framework and accompanying phytosanitary requirements, depending naturally on what framework the UK adopts.

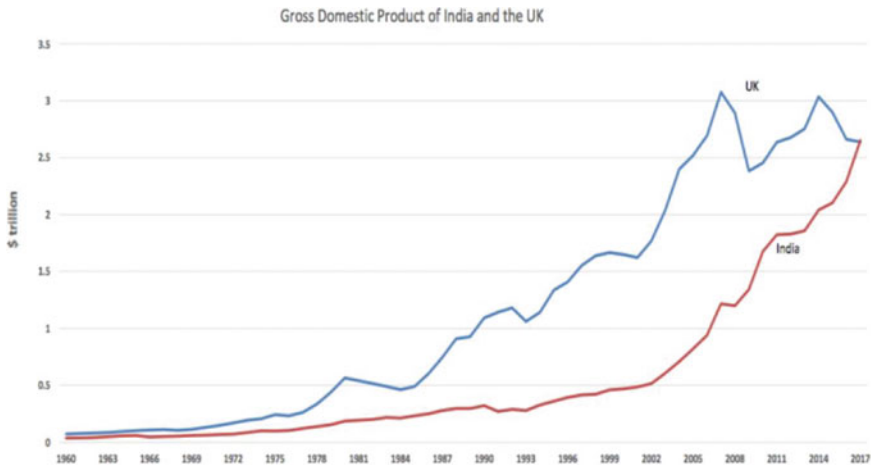
While London is undoubtedly one of the leading global financial centres and Brexit is unlikely to change that, it will face a huge challenge in case there is a flight of capital after Brexit. A number of Indian companies, particularly PSUs, have raised rupee-denominated bonds, popularly called masala bonds, in the London Stock Exchange. UK's credit rating has been cut and given that most buyers of the bonds are from the EU, there is nervousness around these bond issuances.

India businesses have 'presence in a wide array of sectors in the UK which include automobiles, auto components, pharmaceuticals, gems and jewellery, education and IT enabled services. Most of these sectors will be vulnerable to changes in demand and currency values'.

Britain's exit from EU in 2019 could destabilize the steel industry which has enjoyed the protection of EU labour law and safety standards, as well as barriers to unfair completion from other countries. If a hard Brexit comes to fruition, those protections will no longer apply.

The trend of Gross Domestic Product (GDP) showed that the Indian economy will supersede UK GDP very soon (Table 2).

While there are numerous challenges there are also huge opportunities for Indian companies. A study carried out by the Commonwealth Secretariat after the Brexit vote has identified 13 new products which India can export to the UK. It has estimated market access of around \$2 billion for these products. A well-negotiated bilateral trade arrangement between the UK and India has the potential to increase bilateral trade by 26%. In fact, the report says that 'the UK and India can secure a far-reaching deal which will see the value of British exports to India rise from GBP 4.2 billion to GBP 6.3 billion, an increase of GBP 2.1 billion, or 33%. Imports from India by the UK will rise by around GBP 1 billion'. UK's balance of trade could improve even though it may still be in favour of India.

Table 2 Gross domestic trade of India and UK

Source House of Common, UK Parliament Report

7 Movement of People

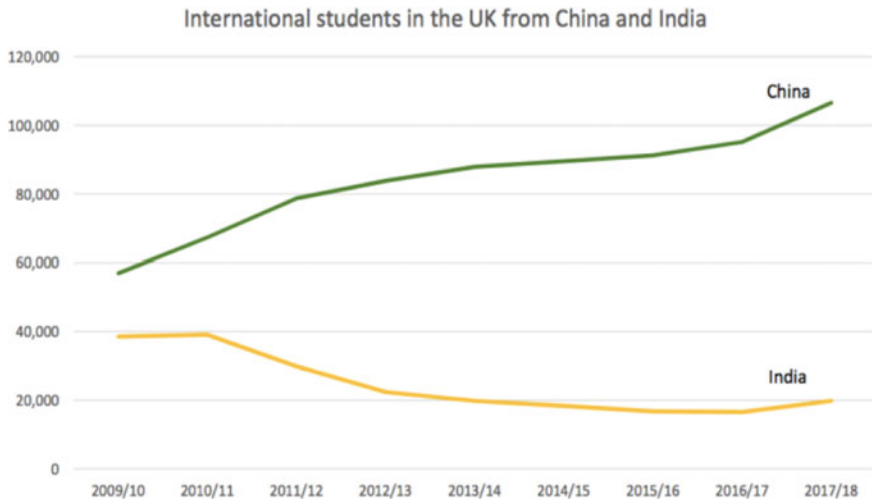
Limits on the movement of people are a major constraint on UK–India ties. ‘Many Indian nationals come to the UK, and nine in every 10 Indian visa applications to the UK are granted. However, skilled workers, students, and tourists find the system unwelcoming, expensive, and difficult to navigate. This has hit key UK export sectors such as education and tourism, and Indian export sectors such as IT services’. The trend of students’ movement needed attention and there is a lot of potential to increase it (Table 3).

8 Security and Defence

The Indian Ocean: Despite these shared interests, the UK and India have sometimes diverged in their position towards China’s role in the Indian Ocean. ‘India is concerned about China’s growing influence in the region, including its investments in ports through the Belt and Road infrastructure initiative (BRI). New Delhi has called for connectivity initiatives to maintain standards of transparency, good governance, and respect for sovereignty’.

It is developing alternative initiatives ‘to meet the region’s infrastructure needs, including a joint proposal with Japan for an Asia-Africa Growth Corridor, and forging a deeper-relationship with neighbours’. India has joined Japan, Australia, and the USA in a revival of the Quadrilateral Security Dialogue, or ‘Quad, an informal

Table 3 International students in UK from China and India



Source House of Common, UK Parliament Report

grouping that aims to defend a free and open Indo-Pacific—widely seen as a response to growing Chinese influence’.

In conclusion, it can be emphasized that Brexit does provide an opportunity to expand India’s trade and economic relations with the UK. Much will depend on the fine print of Brexit and the ensuing negotiations. The challenges that Brexit throws up have to be squarely addressed before an India-UK FTA becomes a reality. Even though the Indian economy may be in better shape than a post-Brexit UK, we will need to leverage our strengths so that the complementarities in our economies are harnessed. We need to work towards a win-win situation for both countries so that we are able to translate adversity into an opportunity for mutual prosperity.

The unfolding saga of Brexit will determine not only the contours of a future economic engagement of both the nations but also its pace and content.

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Chapter 14

The Influence of Brexit on the UK's Arms Trade Policy and Arms Embargo on China



Yongshu Li

Abstract The UK banned the overall arms trade with China after 1989 Tiananmen Incident; however, when the EU published its arms control regime in 1998, the UK immediately left the arms control responsibility to the EU and restarted arms trade with China. Such UK's effort at bypassing arms control regulation is understandable in the context that the EU's arms embargo on China has been haunting not only the UK, but the ties between every EU member state and China for 30 years. Economies in the EU, such as France, Spain, Poland, etc., either benefited from favouring lifting the embargo or suffered from disavouring lifting the embargo. A policy like such, caused a great debate about it within the EU from 2003 to 2005, and the UK was the most vital swing member states in the discussion to lift the EU's arms embargo on China. As the UK restarted arms trade with China when the EU arms control regime entered into power, how will the arms trade change as the UK officially left the regime in February 2020 due to Brexit? The rationales behind the UK's restart of arms sales in the 90s and swinging attitude in the 2000s, and the UK's relation with China after the Brexit referendum, are critical for projecting the UK's arms trade with China after Brexit. This paper proposes a case study into the UK's arms trade history with China, and an effort to clarify the influential factors and actors in the view of the Brexit.

1 Exploring a Possible Correlation

The UK banned the overall arms trade with China after 1989 Tiananmen Incident; however when the EU published its arms control regime in 1998, the UK immediately left the arms control responsibility to the EU, and restarted arms trade with China. Such UK's effort at bypassing arms control regulation is understandable in the context that the EU's arms embargo on China has been haunting not only the UK, but the ties between every EU member state and China for 30 years. Economies in the EU, such

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as France, Spain, Poland, etc., either benefited from favouring lifting the embargo or suffered from disfavouring lifting the embargo. A policy like such, caused a great debate about it within the EU from 2003 to 2005, and the UK was the most vital swing member states in the discussion to lift the EU's arms embargo on China.

The UK banned its arms trade with China after the 1989 Tiananmen Incident; however, when the EU published its arms control regime in 1998, the UK immediately left the arms control responsibility to the EU and restarted its arms trade with China. The UK's overt attempt to bypass arms control regulation is understandable in the context that the EU's arms embargo on China has been haunting not only the UK but also the ties between every EU member state and China for 30 years. Economies in the EU, such as France, Spain, Poland, etc., either benefited or suffered from lifting the embargo. The policy to lift the embargo on China caused great debate within the EU from 2003 to 2005, with the UK being the most vital of the swing member states in the discussion.

The UK restarted its arms trade with China when the EU arms control regime entered into effect, but how will the arms trade change as the UK officially left the regime in February 2020 due to Brexit? The rationales behind the UK's restart of arms sales in the 90s and swinging attitude in the 2000s, and the UK's relations with China after the Brexit referendum, are critical for projecting the UK's arms trade with China after Brexit. This paper proposes a case study into the UK's arms trade history with China and an effort to clarify the influential factors and actors in light of Brexit.

2 The UK's Limited Concerns

Many countries adopted specific policies and sanctions against the Chinese government for its crackdown during the 1989 Tiananmen Incident. On 6 June 1989, the 12 member states of the European Community (EC) made the following brief statement on the Tiananmen Incident:

The Twelve, deeply shocked by the tragic developments in China, strongly condemn the violent repression used against peaceful demonstrators, which has resulted in widespread loss of life there. They note that serious unrest continues.

The Twelve urge the Chinese authorities to stop the use of force against unarmed civilian population in Peking and elsewhere.

The Twelve appeal to the Chinese leadership to engage without delay in the search for a peaceful solution to the present conflict. Such a solution cannot be attained without political dialogue.

Continuing repressive actions, in violation of universally recognised human rights principles, will greatly prejudice China's international standing and compromise the reform and open-door policies which the European Community and its member states have actively supported.

The European Community and member states have already taken a number of measures, including suspension of high contacts, and will continue to keep developments in China under urgent review.¹

Most of the EC member states took reaction individually on the Tiananmen Incident. The Government of the UK decided to take actions as below, reported by Geoffrey Howe, then-Secretary of State for Foreign and Commonwealth Affairs to the House of Commons:

- all scheduled ministerial exchanges between Britain and China have been suspended. The visit of the Chinese Minister of Justice, who was due to arrive here tomorrow, has been cancelled. My Rt Hon Friend, the Minister of Agriculture, Fisheries and Food, has also cancelled his forthcoming visit to China.
- the proposed visit of Their Royal Highnesses the Prince and Princess of Wales to China in November clearly cannot take place so long as those responsible for the atrocities over the past weekend remain in control of the Chinese Government;
- all high-level military contacts with China have been suspended;
- all arms sales to China have been banned.²

It was the first appearance of the UK's arms embargo, which was even earlier than the EC's ban. At the European Political Cooperation meeting on 12 June 1989, the foreign ministers of the EC member states believed that positions should be taken, if not already taken by a member state; further statements could be made on the basis of the 6 June statement; however, it appeared not necessary to do so.³ On 21 June, the Far Eastern Department of the British Foreign and Commonwealth Office (FCO) suggested to the British Government that it was important to maintain communication with China rather than to sever it, as it would highly benefit the Chinese population.⁴ On 22 June, the French and Dutch Governments separately contacted the British Government regarding the forthcoming Madrid European Council Summit. France urged for the condemnation of the crackdown to end, and proposed that a unified package of specific measures could be considered while the Netherlands suggested that there should be common measures taken by the Twelve.⁵

Consequently, on 26 and 27 June, the European Council of Ministers of EC held the summit in Madrid and declared the following sanctions policies against China:

- Raising the issue of human rights in China in the appropriate international fora; asking for the admittance of independent observers to attend the trials and to visit the prisons;
- Interruption by the Member States of the Community of military cooperation and an embargo on trade in arms with China;

¹European Council, 6 June, 1989, Statement by the Twelve on China, FEC 014/3, File C, Madrid.

²Geoffrey Howe, 6th June, 1989, FEC 014/3, Statement on Events in China and Their Implications for Hong Kong, House of Commons.

³European Political Cooperation: Ministerial Meeting, 12 June, 1989, Briefing No. 5: China, FEC 014/3, Luxembourg.

⁴Far Eastern Department of the UK Foreign and Commonwealth Office, 21 June, 1989, Anglo/Chinese Relations, FEC 020/7.

⁵Secretary of State of the UK Government, 22 June, 1989, Anglo-Chinese Relations, FEC 020/7.

- Suspension of bilateral ministerial and high-level contacts;
- Postponement by the Community and its Member States of new cooperation projects;
- Reduction of programs of cultural, scientific and technical cooperation to only those activities that might maintain a meaning in the present circumstances;
- Prolongation by the Member States of visas to the Chinese students who wish it.

Taking into account the climate of uncertainty created in the economic field by the present policy of the Chinese authorities, the European Council advocates the postponement of the examination of new requests for credit insurance and the postponement of the examination of new credits of the World Bank.⁶

As shown above, the UK imposed an arms embargo on China in the very beginning, but did not consider it as worthwhile to further strengthen the sanctions. As a matter of fact, in the years following 1989, most of the sanction policies were lifted except for the arms embargo. The existing arms embargo itself has many critical weaknesses. It was a political declaration by the European Council. The member states reached a consensus on the issue and published the sanctions. There was no legal instrument bound to the sanctions. Moreover, there was no unified definition of an arms embargo in the EC at the time. Such a situation left a loophole on the arms embargo for member states, especially the UK, to manoeuvre.

3 For the Emerging Partnership

The late 90s were significant as during that time a number of historical events in UK–China relations took place, many of which could have influenced the UK’s arms exports to China, namely, the UK’s handover of Hong Kong to China in July 1997, cleared one of major barriers of the UK–China relations. In 1997, the EU member states also stopped supporting a resolution condemning China’s human rights at the UNCHR and the first UK–China Human Rights Dialogue was held in September. In 1998, the comprehensive partnership between the EU and China was launched and, most significantly, the Code of Conduct on Arms Export of the EU was published.⁷ The following analysis will focus on human rights issues and the Code of Conduct, as these still majorly impact the UK’s policy towards China today.

In the sanctions published by the EC, member states were required to raise human rights issues at international fora. Consequently, the EU, along with the USA, condemned China by making resolutions at the UNCHR until 1996. However, several issues stopped the EU’s condemnation of China and divided the EU from within. In July 1995, in the hopes of promoting EU–China relations, the EU published ‘A long-term policy for China–Europe relations’ and launched a human rights dialogue with China. In 1996, there was a sign from the Asia–Europe Meeting (ASEM) that the EU was willing to suspend human rights criticism in exchange for stronger economic ties

⁶European Council, 1989, ‘Declaration of European Council, Madrid, 27/6/1989’.

⁷The United Nation Commission of Human Rights (UNCHR) was replaced by the United Nation Human Rights Council (UNHRC) in 2006.

with Asian countries.⁸ At the ASEM meeting, France tried to squeeze out concessions from China by promising to drop the criticism of China at the UNCHR.⁹

In 1997, the UNCHR held its sessions in Geneva from 10 March to 18 April, and Denmark drafted a resolution to censure China on the occasion. In Beijing on 8 April, Chinese President Zemin Jiang promised the French Defense Minister Millon that China would join the International Covenant on Economic, Social and Cultural Rights and sign treaties as well.¹⁰ China also praised the French approach to human rights and criticized the EU and the USA for the UNCHR resolution issue. France took the chance, immediately declined the co-sponsorship of the resolution at the UNCHR and signed the 'Joint Declaration for a Global Partnership' between France and China in May.¹¹

The UK soon followed suit and raised proposals to China to see if there were any alternative ways to address the human rights issues, such as a dialogue. In June, the Chinese Vice Minister Yingfan Wang replied to the UK with the following:

Both sides envisaged a new start, including the expansion and deepening of exchanges in all fields. There were differences of view between us on human rights. It was important to find ways of handling differences. [...] Both sides should adopt a long-term perspective.

To which the UK replied:

we wanted a forward looking discussion, without preconditions.¹²

The discussion about holding the human rights dialogue between the UK and China went on for several months. In September, Yongxiang Shen, the Chinese Division Director in the International Organisations Department finally accepted the UK's proposal for a human rights dialogue in September, with a commentary saying that 'the UK was the only big country in the EU which insisted on the "anti-China" resolution at UNCHR in Geneva', and he hoped 'the situation would change' and that the dialogue would play a role in the development of the UK's policy.¹³ As the EU incoming Presidency in 1998, the UK was keen to see the constructive and

⁸"European leaders went into last weekend's Bangkok summit conference hoping they could tiptoe around human rights, promote exports to Asia and enhance their presence in the region," Alan Friedman, 5th March, 1996, 'After Pledges at Asia Summit, Europe Faces Cost', *nytimes.com*, https://www.nytimes.com/1996/03/05/news/05iht-summit.t_3.html, accessed 4th May, 2020.

⁹Human Rights Watch, March 1, 1997, C903, Chinese Diplomacy, Western Hypocrisy and the U.N. Human Rights Commission.

¹⁰China aims to deflect criticism on rights, *deseretnews.com*, 8th April, 1997, <https://www.deseretnews.com/article/553761/China-aims-to-deflect-criticism-on-rights.html>, accessed 4th May, 2020.

¹¹At the time, Germany, Italy, Spain, and Greece also dropped sponsoring resolutions condemning China; this group of EU member states is particularly focusing on economic ties with China and therefore gained the nickname of the "Airbus Club," named after the fact that the French Government often focuses on promoting the Airbus Company.

¹²Foreign and Commonwealth Office, June 1997, SUBJECT: MEETING WIT HWANG YINGFAN, 26 JUNE: HUMAN RIGHTS, 073,271 MDHIAN 5667.

¹³Foreign and Commonwealth Office, September 1997, SUBJECT: CHINA: HUMAN RIGHTS DIALOGUE: NEXT STEPS, 076,553 MDHIAN 2218.

substantive development of relations with China, and therefore complied with the request.

Thereafter, the EU member states started to focus on their bilateral human rights dialogue with China rather than criticism at the UNCHR. In February 1998, the General Affairs Council of the EU officially announced that ‘neither the Presidency nor member states should table or co-sponsor a draft Resolution at the next UN Commission on Human Rights’.¹⁴ Immediately afterwards, in March, the Commission published a communication on ‘Building a Comprehensive Partnership with China’.¹⁵

On the other hand, as an effort to fix the void of an arms control regime, the EU adopted the Code of Conduct on Arms Exports in 1998, which better regulated the arms trade of the EU.¹⁶ As previously stated, it could be said that the EC did not even know what ‘arms’ they were referring to when they decided on the arms embargo on China. As argued by Caruso, it was not a unified policy but a sum of similar policies.¹⁷ It was a publication of the very similar and ambiguous declarations of many states, at the same time. The consequence of the Code’s characteristics was that the involved countries could adopt any interpretation of the policy they wished. For example, the UK interpretation was:

Lethal weapons, such as machine guns, large caliber weapons, bombs, torpedoes, rockets and missiles;

Specially designed components of the above and ammunition;

Military aircraft and helicopters, vessels of war, armoured fighting vehicles and other such weapons platforms;

Any equipment which might be used for internal repression;

See our guide on the UK Military List. The Military End Use Control does not apply to China.¹⁸

In comparison, the French never offered a clear interpretation; France only mentioned technology through its Minister of Defense Charles Millon, on 8 April 1997 in Beijing:

With the Chinese leaders, we discussed reinforcing cooperation in three areas:

- Very high level strategic dialogue;
- The exchange of information and training;

¹⁴The General Affairs Council of the EU, 23rd February, 1998, Press: 44 Nr: 6060/98, *consilium.europa.eu*, https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/6060EN8.htm, accessed 25th April, 2020.

¹⁵The European Commission, 25th March, 1998, COM (1998) 181 final, Building a Comprehensive Partnership with China, accessed 25th April, 2020.

¹⁶The Council of European Union, 5 June, 1998, European Union Code of Conduct on Arms Exports, 8675/2/98, Rev 2, Brussels.

¹⁷Raul Caruso, 2005, ‘To Lift or not to Lift? A Few Notes on the Lifting of the European Arms Embargo on China’, *Crossroads*, Vol. 5, pp. 8–9.

¹⁸‘Arms embargo on China’, *businesslink.gov.uk*, <https://www.businesslink.gov.uk/bdotg/action/detail?itemId=1084113496&type=RESOURCES>, accessed 15th January, 2020.

- Cooperation in the technical, technological and infrastructure fields.

This technological and industrial cooperation will be conducted within the framework of our European and international commitments.¹⁹

Having no detailed definition of the key items, it is plausible to sidestep such an ambiguous arms embargo. As in the UK's statement, the Military End Use Control does not apply to China; however, the Military End Use Control is the UK's domestic arms control regime. The UK's interpretation is a clear statement saying that the arms embargo on China only applies at the EU level but not at the UK's domestic level. Not to mention, France never clarified its arms embargo regime in China. Moreover, the United States is particularly unsatisfied with the ambiguity of the terms in the arms embargo and has been urging the EU to revise and strengthen it.

It should be further noted that the implication of the arms embargo has become more complicated over time, which causes difficulties in lifting it. Though the sanction came into force only as the EC's condemnation of the Chinese Government's behaviour in the Tiananmen Incident, the embargo soon attracted the attention of international human rights groups. It was no longer about the Tiananmen Incident, but about any violation to human rights in any part of China at any level, even if the human rights situation is better than what it was before 1989. The very existence of the embargo has been directly connected to the EU member states' attitude to human rights violation.

Also, after the end of the Cold War, the embargo emerged with strategic implications. Its existence could contain China's influence on the regional military balance, such as concerning the security of the Taiwan Strait and China and Japan's potential collision over the Diaoyu/Senkaku Islands. The USA, Taiwan, Japan, and many other countries and regions have become concerned about the arms embargo, since lifting the embargo might lead to the enhancement of China's military rise.

4 The Atlantic Rift

By the end of 2002, France, Germany, the UK, and Italy started consulting each other on the possibility of lifting the embargo, though it was still too early to bear any result.²⁰ On 10 September 2003, the Commission announced its 'A Maturing Partnership—shared interests and challenges in EU–China relations' policy paper. The policy paper reaffirmed the continuing will for science and technology cooperation and suggested the impending negotiations on a future nuclear research cooperation

¹⁹Source: Paris Agence France Presse (in French) 8 April 1997, cited by SIPRI in 'French statement on interpretation of EU arms embargo against China', *sipri.org*, https://www.sipri.org/databases/embargoes/eu_arms_embargoes/china/french, accessed 29th January, 2020. There is also an English version of this piece of news, provided by the Agence France Presse, available from the Factiva Database.

²⁰May-Britt U. Stumbaum, 2009, *The European Union and China: decision-making in EU foreign and security policy towards the People's Republic of China*: Baden-Baden: Nomos, p. 177.

agreement.²¹ Having felt the heating up of EU–China relations, on 20 September, France, the UK, and Germany had a mini-summit and once again discussed the possibility of lifting the EU’s embargo on China.²²

And the first clear signal of lifting the EU’s arms embargo on China was on 12 December 2003. During the summit of the European Council, the French President Jacques Chirac led the lobbying campaign to the European states. The campaign was quite successful; even the traditional ally—who promoted the Iraq War with the USA—the British Prime Minister Tony Blair was persuaded and agreed to review the embargo, without any realization of the future reaction from Washington.²³

On 2 April 2004, the EU Political and Security Committee discussed issues related to lifting the arms embargo on China. France led the pro-lifting campaign and Denmark stood the firmest on the human rights ground. Other member states were somewhere in between with preferences. France insisted that (1) the embargo should go without conditions; (2) consequently there was no reason to strengthen the Code of Conduct or legally bind it; (3) the embargo and lifting it should be political, and a decision should be made rather than sending it to working groups. The UK favoured a working groups’ review of China’s human rights, regional influence, and the Code; however, fundamentally the UK was pro-France, arguing that the Code should not be legally binding.²⁴

Parallel to discussion developments within the EU, the USA strengthened its lobbying against lifting the arms embargo. In October 2004, the UK’s support to the lift changed, as US President Bush put pressure on the UK the British Foreign Minister Straw told the public that they were not ‘in any sense against lifting the embargo, but it has got to be done in a proper and sensible manner’.²⁵ Eventually, the EU gave up lifting the embargo in 2005 as China passed the Anti-Secession Law. Nonetheless, the EU’s 2-year discussion on lifting the arms embargo showed that the UK could turn to be supportive to arms sales to China given the right conditions.

²¹Commission of the European Communities, 10 September, 2003, COM(2003)533 final, Commission Policy Paper for Transmission to the Council and the European Parliament: A maturing partnership-shared interests and challenges in EU-China relations.

²²May-Britt U. Stumbaum, 2009, *The European Union and China: decision-making in EU foreign and security policy towards the People’s Republic of China*. Baden-Baden: Nomos, p. 177.

²³Ewen MacAskill and Jonathan Watts, 2nd August, 2004, ‘Blair caught in middle over China arms ban’, *guardian.co.uk*, <https://www.guardian.co.uk/world/2004/aug/02/china.eu>, accessed 4 May, 2020.

²⁴‘Subject: China Arms Embargo: April 2 PSC Debate and Next Steps for US’, The US Diplomatic Cable, Reference No. 04BRUSSELS1510, created 7th April, 2004, from the US Embassy, Brussels, Belgium.

²⁵Graham Bowley, 13th October, 2004, ‘Ministers disagree on ending China ban: European Union lifts arms embargo on Libya’, *nytimes.com*, https://www.nytimes.com/2004/10/13/news/13iht-t3_33.html, accessed 16 April, 2020.

5 The UK's Exit Plan and Reality

As a result of the 23 June 2016 UK referendum, the UK was set to leave the EU. The first human rights dialogue between the UK and China after the Brexit decision took place in Beijing on 27–28 June 2017, and it served as the first weather vane for the direction of UK–China relations:

The Dialogue provides a valuable channel to get into the detail of our human rights concerns and to raise specific cases. The fact the Chinese side responded comprehensively underlines that they do pay attention. It also gives us scope to strengthen our hand in other dialogues by covering issues that have read across, e.g. the death penalty which is relevant both to our MOU on modern slavery and human trafficking (a crime punishable in theory by the death penalty in China) and extradition—both priority topics under the Security Dialogue.

Yet there is increasing criticism from some in the NGO community that human rights dialogues are at best going through the motions and at worst serving as a fig leaf for both sides to avoid raising difficult issues at Ministerial level. However, we judge that it is worth continuing with the dialogue (only a few others still have one, including the EU, Switzerland and the Netherlands) provided it is not as an alternative to senior Ministerial engagement on human rights issues. And we should be confident in pushing back on criticism of this approach.²⁶

Human rights concerns have often been said to be the major reason for keeping the arms embargo on China; nevertheless, it can be seen from the above that the UK Government official was satisfied with the progress made with China and that the government was 'confident in pushing back on criticism' from the NGO community. Specifically, on the arms embargo itself, upon an information disclosure request to the FCO, the following answer was given concerning how the UK interprets the arms embargo on China post-Brexit:

I can confirm that the Foreign and Commonwealth Office (FCO) does hold information relevant to your request.

The information has been withheld using Section 27 (international relations) and Section 35 (formulation of government policy).

The information you request is exempt under Section 35(1)(a) of the Act which also requires the application of a public interest test. It is recognised that there is public interest in the greater transparency in the decision making process to ensure accountability within public authorities. However, officials need to be able to conduct rigorous and candid risk assessments of their policies and programmes including considerations of pros and cons without there being a risk of premature disclosure which might close off better options and inhibit the free and frank discussion of all policy options. For these reasons, we consider that the public interest in maintaining this exemption outweighs the public interest in disclosing it.

The information is also exempt under Section 27(1)(a) of the FOIA. This section recognises the need to protect information that would be likely to prejudice relations between the United Kingdom and other states if it was disclosed. In this case, the premature release of information relating to the formulation of government policy could harm our relations with China.

We hope you find it helpful to know, though, that the Government has introduced to Parliament a Sanctions and Anti-Money Laundering Bill to ensure the UK has the legal powers

²⁶Interlocutor at the FCO, 19 March 2018.

to maintain sanctions after we leave the EU, where required. The design of specific sanctions regimes will be determined in due course, including where required through secondary legislation. We have a legal obligation to implement UN sanctions. Our approach to non-UN sanctions is under consideration.²⁷

The Sanctions and Anti-Money Laundering Bill mentioned above, is ‘An Act to make provision enabling sanctions to be imposed where appropriate for the purposes of compliance with United Nations obligations or other international obligations’, as described in the Act itself.²⁸ The Act does not further define or enforce anything in the preexisting arms control regime in the UK; its function is to enable further legislative options. In other words, so far nothing changed.

6 The UK’s Deal

Since 2016, the UK government has barely voiced its view on its arms trade with China. There are two reasons to be considered as the cause for the silence: first, the UK government has been pulling its strength together to push forward a soft Brexit, in which progress could barely be seen. There is simply no time or will to put arms trade with China in the spotlight. Another reason is that Trump has been very vocal about his attitude about China during his election campaign, and it has not changed since he won the election. The UK had already learned its lesson about going against the USA for China during the 2003–2005 debate about lifting the arms embargo, and thus knew that it would be wiser to remain silent.

Although there has not been much discussion or change policy wise, the most recent developments are enlightening. Reports by the UK’s Department for International Trade have given a clear recent record of the UK arms trade with China:

SIELs—Permanent and Temporary (excluding Incorporation and Transhipment)
Issued

Types of goods on licence	No. of licences	Value
Military	60	£6,087,275
Non-military	759	£204,178,278
Both Military and Non-military	3	£4,762,496
Total	822	£215,028,049

Chart (1) The UK’s Export Licensing Decision on China, 2016.²⁹

²⁷East Asia Department of the UK Foreign and Commonwealth Office, FREEDOM OF INFORMATION ACT 2000 REQUEST REF: 1235-17, email received on 5 March 2018.

²⁸The UK Parliament, Sanctions and Anti-Money Laundering Act 2018, available at <https://www.legislation.gov.uk/ukpga/2018/13>, accessed on 13 April, 2020.

²⁹Department for International Trade of the UK Government, October 2019, Strategic Export Controls: Country Pivot Report 1st January 2016–31st December 2016, pp. 140–141.

SIELs—Permanent and Temporary (excluding Incorporation and Transhipment) Issued

Types of goods on licence	No. of licences	Value
Military	65	£11,672,708
Non-military	907	£366,322,070
Both Military and Non-military	1	£29,360
Total	973	£378,024,137

Chart (2) The UK's Export Licensing Decision on China, 2017.³⁰

SIELs—Permanent and Temporary (excluding Incorporation and Transhipment) Issued

Types of goods on licence	No. of licences	Value
Military	67	£7,624,331
Non-military	899	£472,977,428
Both Military and Non-military	3	£884,211
Total	969	£481,485,970

Chart (3) The UK's Export Licensing Decision on China, 2018.³¹

The Standard Individual Export Licences (SIELs) from 2016 to 2018 show a steady rise in the UK's arms trade with China from 215 million pounds to 481 million pounds worth of trade. The most recent SIEL, released in April 2020, indicated that the following trade took place between the UK and China during 2019:

“.....

SIELs—Permanent and Temporary (excluding Incorporation and Transhipment) Issued

Types of goods on licence	No. of licences	Value
Military	42	£43,765,271
Non-military	1004	£481,762,688
Total	1046	£525,527,960

The SIELs issued were granted for goods with the following ‘Control Entries’ (for permanent export except where the case summary description is preceded by a T, which indicates a Temporary Export). Please note that more than one ‘Control Entry’ can apply to goods on an individual licence and each ‘Control Entry’ is counted only

³⁰Department for International Trade of the UK Government, April 2020, Strategic Export Controls: Country Pivot Report 1st January 2017-31st December 2017, pp. 183–184.

³¹Department for International Trade of the UK Government, April 2020, Strategic Export Controls: Country Pivot Report 1st January 2018–31st December 2018, pp. 131–132.

once per individual licence (regardless of the number of goods that have been rated with that ‘Control Entry’):

Military

Control entry	No. of licences with goods rated using Control Entry	Value
ML1	1	£280
ML2	2	£8,000
ML4	4	£225,982
ML5	1	£500,000
ML9	6	£42,562,538
ML10	4	£104,088
ML11	11	£112,443
ML15	1	£0
ML17	1	£216,833
ML18	1	£3,327
ML21	7	£4,278
ML22	14	£27,501

...³²

Refused

	Count
Military	2
Non-military	67
Total	69

The SIELs refused were not granted for goods with the following ‘Control Entries’ (for permanent export except where the case summary description is preceded by a T, which indicates a Temporary Export). Please note that more than one ‘Control Entry’ can apply to goods on an individual licence and each ‘Control Entry’ is counted only once per individual licence (regardless of the number of goods that have been rated with that ‘Control Entry’):

Military

Control entry	No. of licences with goods rated using Control Entry
ML15	1
ML22	2

³²See Appendix 1 for the details of the trades.

military infrared/thermal imaging equipment.
 technology for military aero-engines.
 technology for military infrared/thermal imaging equipment.”³³

It can be seen from the above data that just one SIELs category allowed 42 licences of exports of military goods, amounting to £43,765,271 worth of products, covering ballistic test equipment, components/technologies for combat aircraft, naval vessels, auxiliary vessels, etc., and it merely accounts for a fraction of the UK's exports of similar nature in 2019.

7 Conclusion

As the discussion in each section has shown, the UK has been quite pragmatic and consistent at addressing both the human rights issue and arms exports with China. Immediately after the 1989 Tiananmen Incident, the UK imposed sanctions like other EC member states, however, its interest in embargoing China was very limited. In 1998, the UK was eager to improve its overall relationship with China, and was willing to drop the UNCHR censure on the human rights situation of China. In the same year that the EU published its arms control regime, the UK restarted arms exports to China. During the 2003–2005 EU internal great debate regarding lifting the arms embargo, Tony Blair first agreed to revisit the arms embargo issue, which marked the start of the arms embargo debate. During the whole debate, the UK mostly supported lifting the arms embargo, though eventually reserved its opinion in consideration of its US alliance.

After the Brexit referendum, evidence showed that the UK was positive about the UK–China Human Rights Dialogue, and intended to push back at criticism of the dialogue. As to the arms export between the UK and China, data since 2016 has further shown that the UK has licenced a huge amount of military-related exports, which is a trend that is very likely to continue in the future.

Appendix 1: List of SIELs Military Trade Items

This is a detailed list of trade items of military nature, licensed as SIELs by the UK government, and they were granted permission to be traded to either Chinese government and military, or any counterpart of similar nature within China. The related footnotes were also extracted as they were in the document and listed following the item list.³⁴

³³Department for International Trade of the UK Government, April 2020, Strategic Export Controls: Country Pivot Report 1st January 2019–31st December 2019, pp. 122–131.

³⁴Department for International Trade of the UK Government, April 2020, Strategic Export Controls: Country Pivot Report 1st January 2019–31st December 2019, pp. 122–131.

- ballistic test equipment (8 licences).
- components for ballistic test equipment (2 licences).
- components for combat aircraft [See footnote 111].
- components for combat naval vessels (2 licences) [See footnote 53].
- components for military auxiliary/support vessels.
- components for military guidance/navigation equipment [See footnote 105].
- components for military infrared/thermal imaging equipment.
- T components for military support aircraft.
- components for range finding equipment.
- equipment for the production of military aero-engines [See footnote 9].
- equipment for the use of ballistic test equipment (4 licences).
- general military aircraft components [See footnote 1].
- general naval vessel components (2 licences).
- military aircrew safety equipment.
- military auxiliary/support vessels [See footnote 55].
- military communications equipment.
- military diving apparatus.
- munitions/ordnance detection/disposal equipment (4 licences) [See footnotes 104, 12, 92].
- projectile launchers (2 licences).
- software for ballistic test equipment (7 licences).
- technology for air defence systems.
- technology for ballistic test equipment (3 licences).
- technology for combat aircraft (2 licences) [See footnote 39].
- technology for combat naval vessels (2 licences).
- technology for general naval vessel components.
- technology for military aircraft head-up/down displays.
- technology for military combat vehicles.
- technology for military diving apparatus [See footnote 48].
- technology for military electronic equipment [See footnote 45].
- technology for military guidance/navigation equipment.
- technology for military infrared/thermal imaging equipment.
- technology for military patrol/assault craft (3 licences).
- technology for targeting equipment.
- technology for weapon night sights.
- technology for weapon sights.
- T weapon sights [See footnote 40].
- ...

Country Footnotes

1. A declaration by the Madrid European Council on 27 June 1989 established an arms embargo on China. The UK interpretation of this embargo applies to: lethal weapons such as machine guns, large calibre weapons, bombs, torpedoes, rockets and missiles; specially designed components of these items and ammunition; military aircraft and helicopters, vessels of war, armoured fighting vehicles and other such

weapons platforms; any equipment which might be used for internal repression. All exports for this destination were approved in accordance with the sanctions in place.

Case and Goods Footnotes

1. Licence granted for civilian/commercial end use.
...
9. Licence granted for commercial end use.
...
12. Licence granted for explosive detection/disposal purposes. Law enforcement agency end use.
...
39. Licence granted for marketing and promotional purposes, including demonstration to potential customers, temporary exhibitions.
40. Licence granted for goods which will be returned to the UK. Commercial end use.
...
45. Licence granted for manufacturing purposes.
...
48. Licence granted for manufacturing purposes. Commercial end use.
...
53. Licence granted for components/accessories/spare parts. End use by the (Military) Navy.
...
55. Licence granted for disaster/emergency response purposes.
...
92. Licence granted for explosive detection/disposal purposes. Law enforcement agency end use.
...
104. Licence granted for explosive detection/disposal purposes.
105. Licence granted for components/accessories/spare parts.
...
111. Licence granted for academic/civilian end users.

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