

Britain is the least of Europe's problems



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The European Union is encircled on the outside, split three ways on the inside, and is saddled with a corrosive currency union that is still not established on workable foundations and is likely to lurch from crisis to crisis until patience is exhausted.

[Europe's economic "Lost Decade"](#), and the strategic consequences that stem partly from this failure, have emboldened enemies and turned the Continent into a dangerous neighbourhood. The EU now badly needs a friend on its Atlantic flank.

While it would be undignified for any British government to exploit these circumstances (and Theresa May is certainly not doing so) this is the diplomatic and military reality as Britain triggers Article 50.

Along an expanding arc across the East, the EU faces a pact of autocrats. Russia and Turkey are moving closer to an outright alliance - an ideological hybrid like Molotov-Ribbentrop - that cuts at the heart of Nato. Both are openly at war with the post-Second World War liberal order.

The [Kremlin is meddling in the Baltics](#), the Balkans, and the EU's internal democracies. Vladimir Putin acquired a military edge during the energy boom - when the EU was disarming to meet austerity targets - and now enjoys a window of opportunity to extract maximum advantage.

In the West, the EU faces Donald Trump. This is a US president who refused to shake the hand of German Chancellor Angela Merkel. For the first time since the launch of the European project in the 1950s, the US no longer sees the EU as an asset in the diplomatic equation. Many in the White House would happily see it broken up.

This means that Washington will no longer allow the eurozone to use, or misuse, the International Monetary Fund for its own internal purposes. The implications are already apparent in talks over Greece, but they do not stop there.

It would be lamentable statecraft for EU leaders to pick a fight with Britain in these circumstances. For all the noise over Brexit, the UK is really the least of their problems. A clash would be worse than futile, as Italian premier Paolo Gentiloni said in London. Key figures in Germany, Poland, and Spain have repeatedly made the same point.

As the initial bitterness over Brexit fades, EU leaders are pleasantly surprised to learn that they, like many, misunderstood the referendum. Britain is not resiling in any way from Western liberal principles. It upholds all its strategic commitments to Europe through Nato, and is stepping up its defence EU's eastern border with

infantry and aircraft; it remains [a champion of global free trade \(more so than the EU itself\)](#); it has stuck by its climate pledges.

The country does not have a populist government. The Prime Minister could hardly be more cautious and proper, a child of the vicarage. She has defended the European cause in US Republican circles, almost as if she were its ambassador. Her cordial overtures have for the most part been received well in EU capitals and the upper echelons of the Commission.

The constitutional caveat, of course, is that Britain will act as an independent nation. It cannot accept the permanent jurisdiction of the European Court over almost all areas of UK law and policy, the baneful and masked consequence of the Lisbon Treaty.

It was always on the cards that the UK would have to extract itself from a venture that spends most of its energy trying to hold the euro together. Monetary union must evolve into a full-fledged federal state, with a single EMU treasury, fiscal system, and government, if it is to survive. Britain obviously cannot be part of such a structure. Trying to obfuscate this constitutional fact helps nobody.

In short, nine months after the referendum, Europe's leaders are reconciled to the necessity of separation. The debate has moved beyond the false dichotomy of soft and hard Brexits. Most welcome the clarity of British withdrawal from the single market, recognising that it may be healthier for both sides than a messy fudge based on the hybrid Norwegian model. Scotland's Nicola Sturgeon is barking up the wrong tree if she really thinks that the EU is pushing hard for Brexit Britain to stay in the single market.

There are, of course, discordant notes, especially in France, where much of the political elite is stuck in a time-warp. Emmanuel Macron, the electoral boy-wonder, offers little beyond ideological pedantry and the old EU Catechism when it comes to Brexit.

He is apt to dictate absolutist terms with an imperial tone. No such terms are imposed on Canada in its trade pact with the EU, and for obvious reasons: Canada is an independent state.

I doubt he will succeed in trying to chastise Britain since he also wants an unbreakable ["Franco-German position"](#) on Article 50 talks, and Germany has different interests. The old Rhineland axis was in any case rendered obsolete by the fall of the Berlin Wall. Any attempt to reconstitute it will merely underscore France's painfully subordinate role in what has become (to the dismay of the German people) a German Europe. Better for France to hang on to the tight Franco-British defence and security pact for a little strategic ballast.

With or without Brexit, the EU has to keep living with the error of monetary union, so destructive that one leading voice of the French establishment has written a book, *La Fin du Rêve Européen*, calling for the euro to be broken up in order to save what remains of the European project.

The eurozone is horribly split into the creditor and debtors blocs, each with clashing macro-economic interests, and each clinging to their own narrative of what happened in the debt crisis. [Quantitative easing by the European Central Bank](#) and

a cyclical economic upturn have masked the tension over the past two years, but the underlying North-South rift is still there.

The ECB will have to taper and ultimately end its bond purchases as global reflation builds. The markets know that once Frankfurt rolls back emergency stimulus, as it must do to avert a political storm in Germany over rising prices, Italy, Portugal, and Spain will lose a buyer-of-last-resort for their debt.

The core problem remains: the conflicting needs of Germany and the South cannot be reconciled within EMU. The gap in competitiveness and debt burdens is too great. They should not be sharing a currency union at all.

As matters now stand, Italy's anti-EU Five Star movement leads the polls by a six-point margin with 32pc of the vote. The four anti-euro parties are likely to win over 50pc of the seats between them in the Italian parliament in the elections early next year.

Whether it is this cycle or the next cycle, voters will ultimately elect a rebel government in a eurozone state that is too big to be crushed into submission "a la grecque".

An equally poisonous split over the rule of law, immigration, and Kulturpolitik divides the EU between East and West. It has reached the point of open defiance in Warsaw. "We must drastically lower our level of trust toward the EU," says the Polish foreign minister.

The East Europeans suspect that plans for an "advance guard" of core states in a multi-speed Europe, without dissenters being able to stop them, is really an attempt to separate the EU into rich and poor blocs. "It is seen as a new kind of iron curtain between the east and west. That is not the intention," said commission chief [Jean-Claude Juncker](#).

Yet Mr Juncker has no plausible solution for how to revive the EU after Brexit. One of the five options in his "White Paper" proposes retreat to a minimalist single market, but it is a pro-forma suggestion. This is obviously impossible as long as the euro exists.

His clear preference is what he calls "Doing Much More Together", even though Pew surveys consistently show that most EU citizens want to see power repatriated to the states. It is the perennial EU reflex: pushing further integration without positive consent, the Monnet method of creating facts on the ground that then have a logic of their own.

What is certain is that the EU's interminable crisis will go on, but without the British to blame any longer. For decades the political game in Brussels has been to hide behind the UK, letting British ministers and diplomats fend off integrationist excesses or fight their corner for them. Those such as the Scandinavians, Dutch, and Baltic states that rely on Britain to defend the free market and to balance ideological power will lose a key ally within the EU machinery. Votes will go against them more often.

At the end of the day, Europe faces more intractable problems than Brexit. None of these will be improved by making life harder for Britain in negotiations, and the EU's predicament would undoubtedly be worse if any attempt to asphyxiate the City led to a eurozone credit crunch.

A punitive approach would needlessly create another crisis by putting Ireland in an impossible position, and it would create further lines of cleavage by hitting some EU states harder than others.

Those who argue in the UK's internal debate that Europe will have to be excruciatingly tough over Brexit in order to hold the project together have the matter backwards. To act on such a primitive impulse would be calamitous for the EU itself.

