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# Europe 2016 and Beyond

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Called it a cataclysmic year or an annus horribilis, 2016 will probably be considered as significant as 11/9 in Germany (1989) or 9/11 in the US (2001). It was not so much one big bang but a string of events that shook the world and upended many assumptions that have so far underpinned the developed world, especially the West.



Globalisation, the liberal world order and the trust in democratic institutions and processes have all been undermined, first by Brexit and then Trump, and more insidiously by the emergence of a “post-factual” world. Whatever it is, we will likely witness more volatility and disruptions in the years ahead, and the only thing we can predict is the unpredictability of it all. Just when we angst over the assertive Chinese wanting to revise the rules of the games, it now appears that the real “revisionist” power might be the US – with Trump’s disregard for multilateral institutions, and his promise to “make America great again”. But what does Trump mean by “America First” and making America great – does it mean making America the richest bully in a Trumpian order defined by “are you for Trump or against Trump”?

The European Union (EU), thus far the America's staunchest ally, is also wobbling under tremendous pressures from the different waves of crises beginning since 2008. 2016 was another tough year. While the migrant and refugee flows had slow with European border closures and [the deal that EU struck with Turkey](#), it is by no means over. Disagreements over the migration reallocation scheme are only made worse with the series of terrorist attacks in Europe. These terrorist attacks were immediately used by far right politicians to whip up further discontents towards European leaders. Reuters wrote at the end of 2015 that 2015 "has been a year from hell for the European Union", adding that "if Britons vote to leave the bloc, the next year could be worse". And that vote had indeed happened. The shock of the Brexit vote in June 2016, the on-going confusion over when Britain will trigger Article 50 and the anticipation of a long drawn, acrimonious "divorce proceedings" between the UK and the EU added to the angst and uncertainties over the future of the EU.

As 2016 draws to a close, it is timely to reflect on some of the key developments and trends and ponder over their longer term impact on the EU and its future. Overall, one could sum up the broad trends that marked 2016 as the rise of populism, right wing nationalism and backlash against globalisation due to rising socioeconomic inequalities.

### ***Economic Insecurities and Backlash against Globalisation and Free Trade***

The EU is built on the premise that supranational institutions can deliver on economic prosperity and is a better way to help nation-states manage globalisation. The creation of the Single Market with its four freedoms – free movement of people, goods, services and capital - made the EU into the biggest trading bloc and a formidable economic power. Trade plays an important role in delivering economic prosperity for the 500 million citizens in the EU.

Unfortunately, the financial and debt crises and the continued woes in the Eurozone, with enforced austerity measures and high unemployment in many EU member states had led to rampant discontents and fears. Globalisation and free trade has become the bogeyman for bad economic management and wrong policy prescriptions. This has led to greater scrutiny of free trade deals as reflected in the [near "torpedo" of the EU-Canada Comprehensive Economic and Trade Agreement \(CETA\)](#), the struggle to conclude the EU-Japan FTA after several years of negotiations, and the widespread

protests against the Transatlantic Trade and Investment Partnership (TTIP) agreement. But more broadly, economic stagnation and insecurities contributed to the widespread voters' discontent and disillusionment with mainstream politics that supported European integration. Many thus leaned towards support of fringe and far right parties that offered nationalistic slogans of "taking back control".

Where the EU used to have strong and clear mandate on trade and internal market matters, this picture has become increasingly blurred as trade policy appears to be "renationalising" in response to popular demands for greater transparency and accountability. A case in point was the [decision by the Commission to label CETA as a "mixed agreement"](#) rather than an "EU-only accord", meaning that the agreement had to be ratified not only by the European institutions – the Council and the Parliament, but also by the national and some regional parliaments of all 28 member states before it can come into force. By doing so, the Commission loses control over its core competence on trade.

The recent opinion by the Advocate General of the Court of Justice of the European Union that the [EU-Singapore Free Trade Agreement \(EUSFTA\)](#) do not fall under the exclusive competence of the EU and that it should be classified as a mixed agreement put the future of EU trade deals in doubt.

### ***Populism and Politics of Referendum***

The world of politics in Europe has been shaken to the core by the rise of the radicals, anti-establishment novice and parties that used to occupy only the fringe of societies. In particular, Eurosceptic, illiberal and right wing xenophobic parties are on the rise. Thomas de Waal remarked that 2016 is the year that ["Europe forgot the meaning of World War II"](#).

The EU, which began life as the European Coal and Steel Community (ECSC), was a peace project forged out of the ashes of the war. European integration was to be pursued in order to ["transform the relationship between France and Germany from foes to partners"](#) . European integration brought about peace and reconciliation, putting an end to centuries of fighting and war. Unfortunately, this peace narrative and the reasons for creating the EU institutions is increasingly neglected and forgotten. Nationalism, xenophobia and intolerance have returned. Trust in the

European institutions and mainstream politicians have plummeted. Instead voters are turning to anti-establishment parties of all colours and creeds – anti-EU, anti-euro, anti-Schengen, anti-Muslim, anti-immigration, etc.

The gains made by these parties were deplorably met by weak and ineffective responses from the mainstream leaders and politicians. Not confronting the populists head-on, they have sometimes resorted to populist arguments themselves in order to win the voters back. The EU is also increasingly used as a scapegoat and punch bag for all the problems that Europe faces. Instead of making the problem of populism go away their tactics only further undermine the political centre and push European politics and societies more and more to the right. Indeed, illiberal democracy is taking root in member states such as [Hungary](#) and [Poland](#) with their governments openly flouting EU requirements concerning the rule of law and democratic norms. In Austria, though the far right candidate Norbert Hofer did not win the country's presidential election, he garnered 46.2% of the vote with high turnout of 74.2%.

Another way that mainstream politicians are fuelling populism is the increasing reliance on referendum to show that they are listening to the voices of the people. 2016 has seen its fair share of referenda – from the most consequential of all, the British vote on its membership in the EU, to the [Dutch referendum on EU-Ukraine association agreement](#), the [Hungarian referendum](#) on rejecting EU-imposed migration quota, and the [Italian referendum](#) on constitutional reforms.

### **What Can We Expect in 2017**

Optimists see opportunities in every crisis. Many Europhiles see Brexit as a chance for the EU to move ahead with reforms and build a much closer union. The argument is that without its most Eurosceptic member, the UK, the “unshackled” EU can pursue a much more integrationist and federalist agenda. A most [recent survey by the European Council of Foreign Relations \(ECFR\)](#) asking representatives of 74 parties (both mainstream and fringe) about their foreign policy priorities in the post-Brexit era showed that there remains a substantial consensus on many traditional EU values – belief in a strong transatlantic partnership, openness to neighbouring countries and an interest in global trade. There is also a large degree of consensus on placing greater emphasis on counter-terrorism. Significant disagreements however still exist with regards to the thorny issue of migration and relocation of refugees, and the EU remains deeply divided on Russia. Security cooperation also commands very little

consensus among European political parties beyond introducing a [European Defence Fund](#).

Realists will be quick to point out that with three major elections in 2017 – the Dutch elections in March, French presidential elections in April / May and the German elections in September, and the possibility that both Greece and Italy be forced to call for snap elections, another year will be gone with the EU unable to act decisively on any of the issues that threatened its functioning and legitimacy. The financial and debt crisis could return to haunt the Eurozone if the [bailout of Italian bank Monte dei Paschi](#) and [Greece's unapproved Christmas bonus](#) for its pensioners are forebodes of more surprises to come. The EU will also be embroiled in difficult negotiations with the UK as the latter has indicated that it will trigger Article 50 in March 2017. In short, if 2016 was a tough year for the EU, 2017 is not going to be any easier.

Pessimists fear the worst to come. The politics of migration will get uglier if the EU-Turkey deal falls apart. Far right politicians would make more gains in European politics, beginning first with Geert Wilders and his Freedom Party in the Netherlands. The election of Marie Le Pen as the next French president would be a major blow and the downfall of Angela Merkel would sound the death knell for the EU. Concerns over the possible cyber-attacks by Russia to influence the election results in France and Germany are raised with the recent American allegations about Russia's interference in the US elections.

In March 2017, the EU will mark the 60<sup>th</sup> anniversary of the signing of the founding Treaty of Rome. The EU is expected to present a document that will lay out the vision for the future of the European project. It is perhaps important for European leaders in crafting this vision to take note of the results of the most recent [Eurobarometer survey \(Oct 2016\) on the future of Europe](#). Overall EU citizens want more social equality but not necessarily more Europe. What they want is a better Europe.

Summing up, the EU in 2017 will continue to be haunted with political uncertainties as various elections line up and results probably would feed into one another. Sources of growth remain weak and the Eurozone is projected to grow at only 1.4% in 2017. The financial crisis could make a comeback, and Brexit negotiations if not handled well will likely generate more volatility and put the brakes on economic growth. Differences over migration/refugees and relations with Russia will continue to generate tensions

and a new division might open up on how to deal with a “Trumphant” US pursuing an America First policy. Trump has dismissed the importance of NATO and the EU and might choose to deal with its European partners on a bilateral basis pitting one against another.

One silver lining is that the EU has been remarkably resilient in the midst of so many crises, and a majority of Europeans still believe that the EU provides them stability in a troubled world. There is also shared understanding among the European leaders that they should lower their ambitions and agree on a common agenda to deliver concrete results in those few areas where consensus exists. A good place to start with as the ECFR survey shows would be more visible cooperation on counter-terrorism. And with the fate of NATO alliance under question, the EU should also begin to take concrete steps to shore up its security and defence policies to protect and defend EU’s interests and values.

As the world’s second largest economic bloc accounting for almost 23% of global GDP, it is in the interest of countries outside Europe to see the EU back on its feet and not marred in a state of paralysis. The EU is one of Singapore’s top trading partner and investor, and a strong Europe would give ballast to a stronger world economy, and “[a counterpoint to nativists and isolationists](#)” everywhere.

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