

After Brexit: A Diminished or Enhanced EU?

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EU in Uncharted Territory

On June 23, 2016, the United Kingdom (UK) held a public referendum on whether to remain a member of the European Union (EU). Voters favored leaving by [51.9% to 48.1%](#). This decision is unprecedented and will have significant political and economic repercussions for both the UK and the EU. The UK is the second-largest economy in the 28-member EU and a key diplomatic and military power. A British exit (dubbed "Brexit") raises serious questions about the future shape and character of the European integration project. (For more information, see CRS Insight IN10513, [United Kingdom Votes to Leave the European Union](#), by Derek E. Mix.)

Mounting Pressures and Multiple Challenges

The EU is generally regarded as a cornerstone of European security, stability, and prosperity. Over the last few years, however, the EU has faced sluggish growth and persistently high unemployment. Economic dissatisfaction, anti-establishment sentiments, and fears about immigration and globalization have fueled the rise of anti-EU or "euroskeptic" political parties. These issues have complicated the EU's ability to deal with simultaneous challenges, from the Greek debt crisis to increased migrant flows to a resurgent Russia and a heightened terrorism threat. Two key pillars of the European integration project—the eurozone (the 19 members of the EU that use the euro as their currency) and the Schengen area of free movement (in which internal passport checks have been abolished among 22 EU countries and four others)—have come under considerable pressure. While these challenges have all threatened EU solidarity, the UK's decision to leave the bloc may be the most profound setback to the European integration project in its more than 60-year history.

Implications of Brexit for the EU and Possible Future Scenarios

EU leaders maintain, ["The Union of 27 countries will continue."](#) In the short term, the EU is expected to be preoccupied by negotiating the "divorce terms" of Brexit, which could take many years. Some analysts contend that Brexit could weaken the bloc's ability to manage the aforementioned challenges and seriously [undermine](#) the EU project. Euroskeptic parties, [including in France and the Netherlands](#), have been encouraged by the British decision and called for similar referendums. Observers note that the UK has always been one of the EU's most euroskeptic members (it does not participate in the eurozone or Schengen) and that most EU countries are simply too small to contemplate going it alone. However, Brexit could prompt others to demand special membership conditions or policy opt-outs. Many

believe the EU will take a [tough line](#) in Brexit negotiations, in part to discourage further fracturing.

In the longer term, the EU faces a fundamental conflict between those pushing for further integration as the solution to the bloc's woes and those contending that integration has gone too far. [European Commission President Jean-Claude Juncker](#), for example, supports deeper cooperation in the wake of the UK vote. Others, such as European Council President Donald Tusk, appear more cautious and have urged time for "[wider reflection.](#)" Potential future scenarios for the EU include:

- **A diminished EU muddling through.** The EU would largely continue to function as it currently does, pursuing integration and common policies where possible. However, without significant reforms and lacking the UK, the EU's clout and role in the world could be greatly reduced.
- **A two-speed and/or less integrated EU.** The EU could become a two-speed entity, consisting of a strongly integrated group of "core" countries and "periphery" countries more free to choose those EU policies in which to participate. Some suggest that a two-speed EU already exists in practice, with differing membership on a range of EU initiatives. A variant could see further EU integration being put on hold in some areas (or possibly reversed, with sovereignty reclaimed by national capitals) while greater EU integration is pursued in other select fields, such as European security or eurozone governance. Press reports suggest that some EU officials are considering [a new plan](#) along these lines.
- **A stronger, more integrated EU.** The EU would emerge more united and effective. Some suggest that Brexit (or even other defections) could encourage this outcome by producing a somewhat smaller EU with members more committed to deeper political and economic integration.

Germany and France will be influential in determining the EU's future direction. Some commentators believe that Brexit will reinforce Germany as the EU's dominant power and possibly re-energize the Franco-German engine, thus helping drive integration forward. Others suggest that German and French leaders do not necessarily share the same vision for the EU and that EU countries [are divided](#) on the need for a more federalist EU. Member states may have little appetite for ceding more authority to EU institutions and a Brussels bureaucracy viewed as out of touch with ordinary citizens. Moreover, if euroskeptic parties—especially hardline ones in countries such as France—gain enough support in upcoming elections to lead their national governments, this could cast doubt on the EU's continued viability. Brexit could also call into question additional EU enlargement, including to Turkey and the Western Balkans, and exacerbate tensions between "old" and "new" member states.

Implications for U.S.-EU Relations

Successive Administrations and many Members of Congress have long supported the European integration project as a way to foster democratic allies and strong trading partners in Europe. The United States was also an early advocate of British participation, welcoming the UK's 1973 accession to the EU's precursor. President Obama urged the UK to remain in the EU, assessing that the EU was a stronger and more reliable U.S. partner because of the UK's influence.

Following the referendum, President Obama stressed that both the UK and the EU would remain "[indispensable](#)" U.S. partners. However, analysts worry that Brexit will distract the EU from focusing on key U.S. priorities, such as Russian aggression in Ukraine, the conflicts in Syria and Iraq, the terrorist threat posed by the Islamic State organization, and concluding the proposed U.S.-EU free trade agreement (the Transatlantic Trade and Investment Partnership, or T-TIP). Many suggest that the United States is [losing its best advocate](#) within the EU for policies that bolster U.S. goals and protect U.S. interests. The UK's absence could thus lead to greater U.S.-EU divergence in the longer term on issues such as managing Russia or the centrality of NATO to European security. Should Brexit prompt a wider EU unraveling, U.S.-EU economic ties could also face disruption. (For additional background, see CRS Report R44249, [The European Union: Current Challenges and Future Prospects](#), by Kristin Archick.)