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European Union, 2016

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In June 2016 the UK voted, albeit by a narrow margin, to leave the EU. The shock Brexit vote was one of a number of moving parts on the EU landscape during the year. In addition, the EU continued to grapple with poor economic growth in the eurozone, the migrant/refugee crisis and Islamist terrorist attacks, as well as the rise of far-right, Eurosceptic political parties in a number of member states, including France and the Netherlands. In the face of such existential challenges, the EU's usual modus operandi of 'muddling through' came under increasing pressure.

Institutional developments

On 1 January the Netherlands took over the presidency of the Council for six months, supported by Slovakia and Malta. The priorities of the Dutch presidency were prosperity, freedom and security. On 1 July Slovakia took over the presidency for six months, supported by the Netherlands and Malta. The priorities of the Slovakian presidency were economic growth, competitiveness, the digital single market, energy union and security union.

In the wake of the Brexit vote, Jonathan Hill resigned as European Commissioner for Financial Services and the Capital Union. This important and politically sensitive portfolio was given to Valdis Dombrovskis, European Commissioner for the Euro. Hill was replaced by Julian King, who will serve out the current Commission's term. King was given responsibility for security, cyber crime and counterterrorism.

On 28 October Kristalina Georgieva announced her decision to resign as Vice-President of the Commission with Responsibility for Budget and Human Resources in order to take up a newly created position as chief executive officer of the International Bank for Reconstruction and Development and the International Development Agency, which is based in Washington, DC. Günther Oettinger, previously Commissioner for Digital Economy and Society, will take over the portfolio, which entails managing the EU's annual budget of €161 billion and some 30,000 Commission staff.

On 24 November Martin Schulz, President of the European Parliament since 2012, announced that he would contest elections in the Bundestag, the lower house of the German Parliament, in 2017. Following the announcement, numerous candidates for the presidency came forward, including Mairead McGuinness of Fine Gael, a Vice-President of the European Parliament.

The UK and the EU

After protracted negotiations the European Council of 18–19 February concluded with a UK–EU ‘settlement’ which, in Prime Minister David Cameron’s words, gave the UK ‘special status’ in the EU (‘EU deal’, 2016).

The main elements of the settlement were:

- i. **Economic governance:** David Cameron sought and obtained, *inter alia*, recognition that the EU had more than one currency and that there would be no discrimination and no disadvantage for any business on the basis of the currency of their country.
- ii. **Competitiveness:** It was agreed that rules and regulations on business would be reduced so that the single European market could operate more efficiently.
- iii. **Sovereignty:** This category involved three elements: an opt-out of the largely symbolic commitment of member states to ‘ever closer union among the peoples of Europe’ – that is, further political integration; strengthening the role of national parliaments; as well as full implementation of the principle of subsidiarity.
- iv. **Immigration – Social benefits and free movement:** EU legislation on free movement of workers would be amended to create an alert and safeguard mechanism envisaged for any country which experiences an inflow of EU migrants of an exceptional magnitude. In this case, the country concerned may restrict in-

work benefits for EU migrants for up to four years; this limitation would be graduated. EU authorisation would apply to new EU migrants during a period of seven years. Cameron had originally sought extensions for a further three to six years but the so-called ‘Visegrad 4’ (Poland, Hungary, Slovakia and the Czech Republic) opposed this.

Following unanimous agreement on the package, Cameron returned to London to announce that the promised in/out referendum would take place on 23 June. He recommended that the British public vote to remain as the UK would be ‘stronger, safer and better off’ in the EU (‘Britain is stronger’, 2016).

Cameron allowed his Cabinet ministers a free vote on the issue and to campaign as they wished. Michael Gove and five other ministers declared they would campaign for a Leave vote. In a surprise move Boris Johnson, the outgoing and popular mayor of London, declared that he too would advocate that Britain should leave the EU, thus boosting the Leave campaign. He said he wanted ‘a better deal for the people of this country to save them money and to take back control’ (‘Boris Johnson’, 2016).

The campaigns got underway officially on 15 April and became increasingly rancorous, bitter and even vitriolic. The darkest moment came on 16 June when a popular Labour MP, Jo Cox, was brutally murdered outside her constituency office. The assailant, later named as Thomas Mair, a white supremacist and British nationalist, reportedly shouted ‘Britain first’ when attacking her. Campaigning was suspended for three days as a mark of respect. In November Mair was sentenced to a lifetime in prison.

The Brexit vote

On 23 June, contrary to most predictions, the British people voted to leave the EU. Some 33.6 million votes were cast: 52 per cent voted to leave while 48 per cent voted to remain. Turnout was 72 per cent. Financial and political turmoil ensued. The value of sterling dropped sharply as the news broke while \$3 trillion were wiped off global share-price values over two days and the FTSE 250 fell by 14 per cent over three days. On 24 June David Cameron resigned as British Prime Minister. He was replaced on 13 July by Theresa May, formerly the Home Secretary. May promptly appointed a team of three ministers to oversee Britain’s exit from the UK. The trio, who inevitably became

known as the Brexiteers, were Boris Johnson as Foreign Secretary, David Davis as Brexit Secretary and Liam Fox as International Trade Secretary. Jeremy Corbyn, leader of the Labour Party, came under pressure to resign since his less-than-enthusiastic campaigning for the Remain side was considered to have contributed to the result. Corbyn resisted, claiming with good reason to have the backing of the party's leftist grassroots membership. He was subsequently confirmed as Labour party leader in a leadership contest.

On 24 June Nigel Farage stepped down as leader of UKIP (though he had to remain on as interim leader until 28 November when a new leader, Paul Nuttall, was found). UKIP's electoral success under Farage is widely regarded as a key factor in precipitating Cameron's fateful decision to promise the British people in January 2013 an in/out referendum.

The referendum laid bare a UK deeply divided by social class, age and region. On the whole, a majority of university graduates voted to remain while many early school-leavers voted to leave. The majority of young people voted to remain while many older people voted to leave. The majority of people in Scotland, Northern Ireland and London voted to remain while a majority of people in England and Wales voted to leave.

The motivations of Leave voters stemmed from three main factors:

- i. The Leave vote reflected a negative reaction to globalisation and free trade, the benefits of which were not felt to be equally or widely shared. Recent decades have seen a decline in traditional sectors of the economy (e.g. manufacturing, mining and agriculture) in favour of high-tech services and ICT-intensive manufacturing. Alienated voters in many parts of England and Wales felt they had lost out to globalisation and European integration and were left behind. Such sentiments made them immune to the argument that Brexit would damage the UK economy.
- ii. Immigration, including EU migration, emerged as a swing issue. Leaving the EU was seen by many voters as the only way to control EU migration. 'We're full!' was a frequent refrain among Leave supporters, many of whom believed that public services, including the National Health Service, were being overwhelmed.
- iii. Brexit revealed strong support for English nationalism – voters wanted to see sovereignty restored. 'Let's take back control' proved to be a powerful slogan for the Leave campaigners.

Reaction to the vote was swift. The European Council, representing the twenty-seven member states, expressed regret but also respect for the result. The European Commission declared that the UK–EU settlement, which had not featured prominently in the referendum campaigns, had been withdrawn. Credit rating agencies stripped the UK of its coveted triple-A status. In the days that followed, disappointed Remain voters marched in protest while four million signatures were gathered in the UK in support of a petition to hold a second referendum. The Bank of England moved quickly to announce a set of measures designed to avert a post-Brexit credit crunch.

Cameron left it to his successor to trigger Article 50 of the Consolidated Treaties, which provides for a member state to leave the Union. In early October Theresa May gave notice that she would trigger Article 50 before the end of March 2017. She also ruled out any possibility of a second referendum. On foot of a court case brought by a British citizen, Ms Gina Miller, on 3 November, the High Court ruled that Article 50 could not be triggered by the May government without first securing the approval of the British Parliament by means of a vote. The May government appealed the decision. In December the Supreme Court began its deliberations on the matter. A verdict is expected in January 2017.

The word ‘Brexit’ entered the Oxford English Dictionary five years after it was coined, defined as ‘the (proposed) withdrawal of the United Kingdom from the European Union, and the political process associated with it.’

The Brexit vote and Ireland

There are a number of implications of the Brexit vote for Ireland, the member state most exposed to Brexit. These include:

- the concern that Irish economic growth could be adversely affected;
- the possibility of a return to a hard border between Northern Ireland and the Republic of Ireland, though the British, Irish and Northern Irish Governments signalled their commitment to avoid this in order to safeguard the Northern Irish peace process;
- the possibility that the continued existence of the Common Travel Area between the UK and Ireland could be in doubt;
- the risk that Brexit might result in the loss for Ireland of an important political and strategic ally in the EU (e.g. defending a low corporation taxation rate in some member states).

The Brexit vote and the EU 27

On 6 December Michel Barnier, the chief negotiator for the EU 27, held his first press conference in which he indicated that, once Article 50 was triggered, a draft deal could be agreed by October 2018 giving the EU institutions and the UK Parliament enough time to authorise a Brexit agreement before the end of the two-year timescale envisaged by Article 50. Thus, the UK could officially cease to be a member state of the EU by April 2019. Elections to the European Parliament are due to take place in May 2019. Barnier also identified four principles guiding the EU 27 during the Brexit negotiations. These are:

- i. The determination to preserve the unity and interest of the EU 27 in the negotiations.
- ii. As a non-EU country, the UK could not expect to have the same rights and benefits that EU membership confers, as the UK would not be subject to the same obligations.
- iii. There would be no negotiation of a post-Brexit deal before notification – that is, until Article 50 is triggered.
- iv. The four freedoms of goods, services, capital and people, which are fundamental to the EU's single market, were not negotiable if the UK sought to remain in the single European market. 'The Single Market and its four freedoms are indivisible. Cherry picking is not an option,' he said (Henley et al., 2016).

Migrant/refugee crisis

In late February, Austria, Serbia and Macedonia took steps to restrict entry for migrants, angering Greece, which feared a bottleneck. Alexis Tsipras declared that Greece was turning into a 'permanent warehouse for souls'. In March the Commission promised €700 million in aid to accommodate migrants in countries such as Greece that were being overwhelmed by the refugee crisis.

On 7 March an emergency European Council meeting took place in Brussels on the migration crisis. The EU aimed to stem the flow of illegal migrants in particular and to declare the route north through the Balkans closed. Crucial to this approach was cooperation with Turkey. A new deal between the EU and Turkey was agreed, which allowed the mass deportation of illegal arrivals in Greece based on a 'one-for-one' system. In other words, for every one irregular or illegal

Syrian migrant/refugee readmitted by Turkey from the Greek islands, another Syrian already legally in Turkey would be resettled in one of the EU member states. In exchange the EU made three commitments, namely that it would: (i) cover the costs of the readmission process and pay an additional €3 billion for refugees in Turkey living outside the camps; (ii) revitalise the accession process for Turkey; (iii) finally, and most controversially, speed up the lifting of the visa requirement for Turkish nationals travelling to the EU by June 2016 subject to all seventy-two conditions or 'benchmarks' being first met by Turkey. Then Turkish Prime Minister Ahmet Davutoglu was the chief architect of the plan, which the German Chancellor, Angela Merkel, welcomed as a 'breakthrough, if implemented' ('A breakthrough', 2016). The controversial deal came amid a government clampdown on academics and journalists critical of President Erdogan.

The stern new plan came into effect on 20 March when all irregular migrants arriving in Greece were sent back to Turkey if they did not apply for asylum or if their claims were rejected. Many of those deported were North Africans, Afghans and Pakistanis who were deemed to be economic migrants, not refugees. In return similar-sized groups in refugee camps in Turkey – mainly families with children – were to be relocated to EU member states (e.g. Germany).

To its critics the deal was denounced as politically expedient and an exercise in *realpolitik*. Amnesty International declared that the deal was flawed, illegal and immoral, and that Turkey was not a safe country for migrants and refugees. To its advocates the deal aimed to break the business model of the people smugglers before the weather in the Aegean Sea improved during the summer months: illegal arrivals stood little chance of staying in Europe compared to legally processed arrivals. Some 2,300 experts, including security and migration officials and translators, were set to arrive in Greece to help implement the plan. As a result of the plan, the influx was reduced significantly by April.

On 6 October the European Border and Coast Guard was officially launched. This new agency will closely monitor the EU's external border and, together with the member states, will identify and address any potential security threats. Ireland, which is not part of Schengen, may cooperate with the new agency on an agreed basis. Hailed by the Commission as a milestone in European border management, its stated intention is that the external border of one state is the external border of all member states.

ECB and quantitative easing

On 10 March the ECB expanded its monthly asset-buying programme, more commonly known as quantitative easing (QE), by more than was expected – €80 billion – and extended it to corporate bonds. The ECB also reduced the deposit rate from –0.3 per cent to –0.4 per cent and its refinancing rate from 0.05 per cent to zero. ECB President Mario Draghi indicated that he envisaged no further reductions.

On 8 June the ECB started to buy corporate bonds as part of its QE programme. In December Draghi announced that the Governing Board of the ECB had decided to extend the QE programme until December 2017. From April 2017 the ECB will buy €60 billion of assets each month, down from €80 billion. Draghi urged member states to continue implementing structural reforms (e.g. education, labour markets, pensions, etc.) as appropriate.

Islamist terrorist attacks in Brussels

On Tuesday morning, 22 March, 35 people died and more than 270 were injured following a series of coordinated suicide bombings in Brussels: two at Brussels Airport and another at Maalbeek metro station, close to the European quarter. The Belgian Government declared three days of mourning. Terrorist organisation Islamic State (IS) claimed responsibility for the attacks, which occurred four days after the capture of Salah Abdeslam, who was involved in the Paris attacks of 13 November 2015. The arrest of Abdeslam was seen as the likely trigger for the Brussels attacks as it is believed IS feared he would reveal details of future attacks.

Brussels is home to the EU and NATO, as well as many international agencies and companies. Active jihadi cells were discovered in Brussels, in particular in Molenbeek, which has a high proportion of ethnic Moroccans and a high rate of unemployment. US Secretary of State John Kerry visited Brussels and expressed condolences for the victims, declaring ‘Je suis Bruxellois’. Forty nationalities were among the victims.

Two days after the Brussels attacks, French police thwarted a terrorist plot that was said to be in an advanced stage near Paris. Police arrested Reda Kriket, a French citizen, and seized weapons and explosives in his flat. Three accomplices were arrested in Belgium and Dutch police arrested a fourth in Rotterdam.

Bastille Day terrorist attack in Nice

On the evening of 14 July, Bastille Day, a lorry ploughed into crowds celebrating on the Promenade des Anglais in Nice, France. Some 86 people from 19 different countries died, with more than 400 injured. The driver was named as Mohamed Lahouaiej-Bouhlel, a Tunisian resident of France. After the vehicle came to a halt, the driver began to open fire at pedestrians. He was shot and killed by police. Terrorist group IS claimed responsibility for the attack.

The French Government declared three days of national mourning. On 12 December, eleven suspects were arrested in connection with the attack. During the course of the year, the state of emergency in force in the country was extended to July 2017.

Terrorist attack at a Christmas market in Berlin

On 19 December another lone-wolf jihadist deliberately drove a lorry into a crowded Christmas market at Breitscheidplatz in Berlin. Fourteen people died and scores more were wounded in the attack. The perpetrator, Anis Amri, a Tunisian national, fled the scene and travelled to Italy via France. It is believed that Amri hijacked the lorry and killed its Polish driver, Lukasz Urban. The German authorities issued a European arrest warrant and offered a substantial financial reward for information leading to his capture. On 23 December Amri, who was armed and dangerous, was stopped by two Italian policemen in Milan during a routine identity check. Amri drew a gun and shot one of the policemen but not fatally. Amri himself was then shot and killed by the other policeman in the shoot-out. Amri, a failed asylum-seeker in Germany, was on a German watch list but had disappeared from view in November. A video subsequently emerged in which Amri pledged allegiance to the terrorist group IS, which claimed responsibility for the attack.

The Netherlands says No

In a 4 April referendum the Dutch voted by 64 per cent against ratifying the EU–Ukraine Association Agreement. The turnout was 32 per cent; a turnout of 30 per cent was necessary for the result to be valid. The twenty-seven other member states had already ratified the Agreement. The Association Agreement is largely a trade deal in nature and does not allow Ukrainians to work in the EU. While the

referendum is advisory in nature and is thus not legally binding, the Dutch Government felt unable to ratify the Agreement in its original form. Many voters found the campaigns confusing. At the European Council in December national leaders agreed on a statement to reassure Dutch voters that the Association Agreement does not lead to candidate status for Ukraine as a potential member state, nor does it grant Ukrainian nationals the right to work or live in the EU. At the same meeting the European Council agreed to roll over sanctions against Russia for another six months because of its actions in Ukraine.

The Panama papers

In April journalists from seventy-eight countries published articles on offshore bank accounts of, inter alia, elite politicians based on a leak of 11.5 million files from the database of Mossack Fonseca, a law firm in Panama. Subsequently five of the EU's largest member states – the UK, Germany, France, Italy and Spain – agreed to share information on secretive shell companies and trusts. The aim of this concerted effort was to clamp down on tax evasion and money laundering. Other members of the G20 were expected to follow suit.

Eurozone and Greece

On 25 May the eurozone finance ministers agreed to extend a fresh bailout loan to Greece, as well as to provide debt relief. Arrangements for the latter were fine-tuned on 5 December. Debt relief was a key condition required to secure IMF involvement in the Greek financial rescue. The aim was to bring Greece's public debt back on to a sustainable path over the medium to long run and to facilitate a gradual return to market financing.

On 14 December the eurozone suspended the Greek debt relief plan following the Greek Government's decision to provide poor pensioners with a pre-Christmas bonus. The Tsipras government also scrapped a rise in VAT for residents of the Aegean islands to help relieve the economic pressure caused by an influx of migrants. The eurozone finance ministers were not consulted on either measure.

EU–Turkey relations

On 15 July there was an attempted coup in Turkey in which some 250 people died. In the aftermath the Turkish authorities made arrests on

a massive scale, including soldiers, judges, opposition MPs in a Kurdish-based party, academics and journalists. All were accused of links to the Gülen movement, an Islamic sect, which was held responsible for the coup. A state of emergency was declared and this was extended on 19 October by three months.

The clampdown by the Turkish authorities led to widespread condemnation by EU institutions, as well as member states. On 24 November the European Parliament passed a resolution urging the Commission to temporarily freeze accession talks with Turkey. Turkey's President Recep Tayyip Erdogan's style of leadership is seen in Brussels and member states as becoming ever more authoritarian in nature. The EU's foreign policy chief, Federica Mogherini, urged caution, arguing that the best way to strengthen Turkish democracy is by engaging with Turkey and keeping the channels of communication open. If the accession process came to an end, it would be a lose-lose scenario, she argued.

CETA signed

On 30 October the EU and Canada finally signed the long-awaited Comprehensive and Economic Trade Agreement (CETA). This Agreement had been in limbo for almost two weeks as the Belgian region of Wallonia refused to give its consent to the federal Belgian government to sign the deal.

Paris Agreement on Climate Change

The Paris Agreement on Climate Change entered into force on 4 November – four days before the US election which saw Donald Trump, the Republican candidate, become US President-Elect. The Agreement has some 200 signatories, including the US. It embodies a commitment to keep global warming below 2°C and pursue an ambitious target of 1.5°C. It also commits participating states to phasing out fossil fuels in the long term.

Referendum in Italy

In what was seen as another populist setback for the EU, on 4 December a referendum on constitutional reforms to streamline the law-making process and to centralise political power to a greater extent resulted in a heavy defeat for Italian Prime Minister Matteo

Renzi. Renzi – postwar Italy’s youngest ever prime minister and self-styled ‘demolition man’ – had staked his political future on the outcome and duly resigned on 7 December once the national budget for 2017 was passed by the Italian Parliament. The No vote was seen not only as a rejection of the proposed constitutional reforms but also as a vote of no confidence in Renzi’s premiership. The No campaign was led by Beppe Grillo’s anti-establishment 5Star Movement, as well as the far-right Northern League and also former prime minister Silvio Berlusconi. EU leaders played down the significance of the referendum result, saying it was not a referendum on the EU or on the euro per se but on political and constitutional reforms in Italy. The political uncertainty engendered by the referendum result led to international investors backing out of a plan to capitalise Monte dei Paschi di Siena (MPS) to the tune of €5 billion. MPS is the third largest bank in Italy, and the weakest. This development fuelled concern that if a banking crisis emerged in Italy it could spread and engulf the eurozone. As the year ended, Italy’s new prime minister, Paolo Gentiloni, announced government plans to bail out the troubled bank.

T-TIP derailed

In the wake of November’s US presidential election, which resulted in a surprise win for Donald Trump, plans for a free trade deal – the Transatlantic Trade and Investment Partnership (T-TIP) – between the EU and the US ran out of steam. President-Elect Trump and his incoming Cabinet are expected to pursue strongly protectionist trade policies from 2017.

Sakharov Prize

On 27 October European Parliament President Martin Schulz, MEP, together with the leaders of the political groups, awarded Nadia Murad Basee and Lamiya Aji-Bashar with the annual Sakharov Prize for Freedom of Thought for their work in highlighting the plight of the Yazidi people in Iraq at the hands of terrorist group IS. The official ceremony took place in Strasbourg on 13 December.

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