

George Papaconstantinou: A Very Greek Brexit?

Unlike the United Kingdom, Greece is one of the European Union's smaller economies, notorious for its weak institutions and economy, and a net recipient of EU funds. And yet the Grexit near-exit from the EU in 2015 offers important lessons for the final stage of Brexit negotiations writes George Papaconstantinou



Source: Shutterstock

As the Brexit train lurches forward with no clear direction, it is useful to look back at another dramatic episode in European Union politics for possible guidance: the Grexit that never happened. Although almost everyone during the euro crisis between 2010 and 2015 was convinced that Greece would have to leave the eurozone, if not the EU, the country remains a member of both.

On the face of it, there is not much to compare. Unlike the United Kingdom, Greece is one of the EU's smaller economies, notorious for its weak institutions and economy, and a net recipient of EU funds. Greece was being threatened with expulsion from the eurozone (though there is no legal route out), whereas the UK chose to leave the EU. And yet the Grexit saga offers important lessons for the final stage of Brexit negotiations.

The prospect of Grexit – which was on and off the table after the crisis erupted in 2010 – waned after a cross-party majority in the Greek parliament backed the second bailout of Greece in 2012 and the associated debt restructuring. The threat subsided even further after European Central Bank President Mario Draghi said that summer that the ECB was ready to do “whatever it takes” to preserve the euro.

The risk of Grexit returned with a vengeance in 2015, when a newly elected Greek government played a game of chicken, taking negotiations to the brink. It was a case of a moped against a German truck; when the EU refused to budge, Greece had to undergo a near-death experience before its eventual U-turn. One week after a referendum in Greece, in which a 61% majority voted against a deal, the Greek parliament ignored the result and voted overwhelmingly for a third bailout, avoiding collapse and finally putting Grexit to rest.

There are a number of useful lessons here in the context of Brexit. The first is that negotiating power is never with the individual country. This means the EU can neither be blackmailed nor divided by building convenient alliances, especially by a country leaving the club. Nor can an EU member state appeal above the heads of “bureaucrats” to politicians, because no political negotiation can ignore technical or legal problems.

Just like Greece, the UK lacked an understanding of the EU’s political and institutional dynamics. This led to a flawed negotiating strategy, based on a misplaced belief in the leverage the UK’s size would give it. The UK government also lacked a clear long-term strategy. Wanting to leave the EU is not enough; you also need to plan how to do it and what happens the day after.

As with Grexit, time has worked in the EU’s favor. By 2015, the EU was better prepared to manage a possible Grexit; so it is today with Brexit. The initial fear of contagion after the June 2016 UK referendum result gave way to the emergence of a surprisingly cohesive EU front, no doubt helped by broader geopolitical considerations vis-à-vis the United States and China. Rather than favoring centrifugal forces, the Brexit debacle increased confidence in the EU and the euro.

True to form, the EU has handled Brexit with a combination of principles, bureaucracy, and adherence to rules. What’s more, the UK’s shambolic internal decision-making on Brexit reinforced the EU’s inclination to embrace caution and lack of strategic perspective, as it did during the eurozone crisis.

As we move to the Brexit endgame, several considerations frame the issue on the EU side. These include an awareness that there is no clear House of Commons majority for any Brexit option; a conviction that British Prime Minister Theresa May lacks support for a realistic compromise; a suspicion that hardline Brexiteers are running down the clock to the March 29, 2019, deadline for the UK to leave the EU; and growing doubt about the wisdom of a second referendum, popularly known as a “People’s Vote.” The dominant sentiment underlying the EU’s unified position on Brexit now seems to be what it was in the case of Greece: “enough already.”

All of this suggests that, contrary to the expectations of the pro-Brexit camp, the EU will not blink. It will make cosmetic concessions for one last attempt to win a Commons majority, but no more. Instead, it will focus on its own unity and prepare for all eventualities. The EU will agree to any extension of the March 29 deadline to avoid being blamed for the UK crashing out, but there will be

no last-minute, 17-hour negotiations as there were with Greece in 2015.

We now know that the UK government's Brexit plan consists of squaring the proverbial circle. But does the EU have a plan? Only two outcomes should be acceptable to it: a customs-union arrangement with the UK, or a People's Vote that convincingly reverses the 2016 referendum result. Despite increasing support in European capitals for the former, the latter is the EU's preferred long-term alternative. Although the UK could self-destruct in a second referendum, the EU should help the country in any way possible to revisit a flawed decision that was based on lies.

The EU cannot, of course, openly do that. Fortunately, all it needs to do now is stick to the principles it has laid down, and let time do its work. The EU must resist the temptation to push the UK toward a "reasonable deal" featuring a customs-union arrangement. This may sound cynical; but keeping the UK in the EU is in the best interests of both sides. "No deal" on the part of the EU is what kept Greece from leaving in 2015.

[This article was published on Project Syndicate on 14 February 2019](#)

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro

amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland

mateusz.sutowicz@ing.pl

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic
420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com