

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



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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.

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