

United Kingdom

Prime minister David Cameron's resignation was just a start, with the United Kingdom's two major political parties having fallen into complete disarray. Labour leader Jeremy Corbyn lost a no confidence vote... and the majority of his shadow cabinet, all the while promising he wouldn't go anywhere; having won the backing of a majority of rank and file Labour voters. Former London mayor and Brexit figurehead Boris Johnson (with neither a plan for a Brexit premiership nor loyalty from his campaign colleagues) abruptly pulled himself from the conservative party's leadership race. Nigel Farage, United Kingdom independence party (UKIP) leader and Brexit campaign co-conspirator, resigned his post over the weekend.

The background was truly Monty Pythonesque: Johnson hadn't intended to win the Brexit campaign any more than Cameron intended to lose it. His campaign was meant to position him as a post-Cameron successor; an alternative to the ugly proposition of "remaining" in an increasingly unworkable Europe. But rather than succeeding in failure, he failed in success... and now the conservatives are left with home secretary Theresa May (the clear favorite for the prime Ministership despite supporting the remain camp), Michael Gove (Johnson's ex-comrade in arms in the Brexit campaign), and Andrea Leadsom (energy secretary and a solid if lesser known "leave" voice) as plausible successors.

Johnson's fall is a mixed blessing. On the one hand he was a loose cannon and exceptionally polarizing, so his potential for good will and a smooth negotiating path with the Europeans was limited. But Johnson was soft on immigration (quickly, if disingenuously, writing after Brexit that immigration wasn't why most UK voters wanted to leave) and ideologically uncommitted to leaving the union, both of which would have made his preferred position for a final outcome a version of the "Norway model": attempting to secure continued access to the common European market for the UK. May, Gove, and Leadsom are all much more negative on open UK immigration (and it's reasonably certain a May government will want a solid leave voice to lead Brexit negotiations, albeit not Gove – as those relations are toxic), which will make the UK starting position in coming negotiations a more decisive break.

So what's next? There's been plenty of talk (among remainers) about second thoughts, with demonstrations and a petition of several million signatories calling for a second referendum on a potential "Breversit". I don't see that happening. Theresa May has made clear that the will of the people has been heard; a new referendum would be politically immensely costly to the conservative party (whose Euroskeptic right would split, potentially joining with UKIP); market uncertainty would extend and further damage the UK economy; and European leaders — especially those heading towards their own elections — would step up anti-UK policies. to say nothing of the fact that a second referendum could easily fail (had Labour MP Jo Cox not been murdered, halting Brexit's momentum and making immigration a softer issue for the last week of the campaign, one could easily have seen a 55%-45% win for leave).

Then there are the details: the only two political moves to stop Brexit are both attention-seeking. The liberal democrats have tried to revive their moribund electoral prospects by promising to bring the United Kingdom back into the European Union should they receive a mandate from the electorate — they currently have eight seats in parliament. And London MP David Lammy, whose constituency voted heavily for remain, has emphasized that this was a consultative referendum and that the UK legislature has no legal obligation to recognize its result. Which does not represent his Labour party's view. The referendum results

made it clear that Labour needs to reconnect with its former voters in the north; so, if ever there were an early general election, running on the promise to bring the United Kingdom back into the EU isn't an option.

Then there's parliament itself. The boundaries between what is the prime minister's prerogative and what the parliament can block are blurred by the fact the United Kingdom does not have a constitution. The general understanding is that parliament should at least vote to recognize the result of the Brexit referendum before the new prime minister invokes article 50 of the Lisbon treaty (to begin formal leave negotiations). But it would not have to begin repealing the legislation that underpins the UK's membership in the EU before negotiations with union begin. While it can guide the direction of the article 50 negotiations, it would be self-defeating for the parliament to prevent them from starting as this would leave the United Kingdom stuck in limbo, unable to debate on a still-undefined new relationship with Europe.

UK-EU negotiations

That's the present state of play. So what of the negotiations themselves? The next immediate step is rather prosaic: the civil service will get to work on a range of options to clarify the scope and framework of the negotiations with the EU. Which is meant to help frame the politics. Then the new prime minister will come into place and lead an internal debate over the United Kingdom's future relationship with the union, most publicly at the conservative party congress in October. After that debate has clarified what the United Kingdom is hoping to achieve, the country will need to figure out the changes it needs to make to its civil service in order to facilitate the process of Brexit. All the while there'll be steady and mounting pressure from European leaders for triggering article 50 (and an effective freeze of new business/investment into the United Kingdom). And then at some point, either late this year or early next year, article 50 will be formally called upon.

As with all European negotiations, this is going to prove an exceptionally complex and politically divisive process. The European leadership has already made clear there will be no "informal negotiations" of any sort until article 50 is triggered. European resolve is to come out hard on the actual terms (the initial statement from the EU leaders was harder line than the circulated draft — with a clear no trading off free movement of labor for market access). Given the background of a British political sensibility that the UK's in this mess because the Europeans refused to budge on terms of the country's accession... regardless of however true or false that may be, that's unlikely to make the negotiations smoother.

Article 50 gives the United Kingdom two years to complete negotiations on the terms of its exit from the union — after which either the issue is resolved, an extension is granted, or the UK's out with no agreement on terms. It won't be easy to conclude a deal in that time. The most challenging pieces of negotiation (most significantly, the trade and access to labor piece) will wait until late 2017 to begin, after elections are over in France and Germany. East and southeast Europeans will be horse-trading their support for a constructive outcome in return for side deals that improve their own terms of integration. A slew of narrow European interests will work to pick off UK-housed pieces of EU architecture and as much as possible of the UK's financial sector (an effort that's already been joined in by France, Germany, Ireland, Italy, and Luxembourg). While other European crises (Greece, refugees, terror, further referenda, and the like) will play out and complicate the process.

The closer the Europeans get to the two year deadline, the greater their incentive to extend the negotiations; as a decision for extension is solely in the hands of the Europeans — and a "non-outcome," which leaves the United Kingdom in uncertain territory on WTO relations and the like, would need to be avoided at all costs for the Brits. So an approaching deadline will put the UK government under further pressure to accept EU-friendly terms for whatever form of agreed union... with consequently higher domestic pressure for that same government at home.

Pro-Brexit?

If all this sounds deeply problematic for the United Kingdom itself... well, that's because there aren't any good near- to medium- term outcomes. But before we turn to the impact on Europe, let's at least spare a moment to look at the case for the Brexit side. I'd make three arguments that ultimately turn in the United Kingdom's favor.

1) a bet against Europe. Europe is only going to look less appealing going forward. The United Kingdom's decision to leave Europe was made without forethought, promoted by short-sighted leaders with narrow political ambitions and none of the policy skills to turn their country into the world's next Singapore. But the fact remains that European governance has become weaker over time, lurching from one economic and political crisis to another. That will only continue post-Brexit, and diminishes the long term attractiveness of being part of a union with Brussels-driven sovereignty that appears both more ineffective and illegitimate over time. In a decade, there'll be plenty of reason to believe Brexit was poorly executed... but politically well ahead of its time.

2) legitimacy. The strong Brexit vote was indifferent to the UK's economic performance, because a solid and growing share of the population believed the country's social contract no longer applied to them. Yes, there's plenty of economic damage to come, but it will also serve as a severe shock to the political class that otherwise refused to admit it had any blame for the antagonism among the general population. Could Britain's new party leadership — and perhaps even new political parties — refuse to learn those lessons yet again? It's possible. But it's also possible Britain's future leaders will emerge chastened and feel compelled to address the social inequalities that have hollowed out the country's working and middle classes... and surely more likely than under a "remain" outcome, in which the United Kingdom's existing political leaders could have gotten back to business as usual.

3) decentralization. State power is eroding everywhere, and Brexit is a sharp move in favor of decentralization. Central governments around the world are proving less popular and trusted, more polarized, and less able to drive forward long term sustainable political agendas. Effective governance is devolving to regional and municipal levels across the developed world — think the United States, Canada, and across Europe. Such was the largely useful outcome of the failed Scottish referendum of 2014, and is likely to prove the long term outcome of the successful Brexit vote: ultimately an independent Scotland, but also a comparatively more flexible and less externally-governed England, Northern Ireland, Wales... and London. If that proves the case (again, longer term, as the economic damage to the UK for the coming few years is very clear), the United Kingdom could ultimately prove well ahead of the curve of all its former European colleagues in terms of effective governance.

Europe: who's next?

There are only a couple countries in the European union where knock-on referenda appear a reasonably likely outcome. **The Netherlands** is top of list, where Geert Wilders and his far-right Dutch party for freedom are campaigning, like the UK independence party (UKIP), on a clear Euroskeptic platform. While they're extremely unlikely to win next year's general election, Wilders is likely to be the kingmaker, critical in coalition for whichever party wants to govern. In return, he'll demand a referendum on EU membership, and he'll probably get it. Among all the Europeans, the Dutch are among the most well-disposed to the European union, and so the referendum isn't likely to succeed. But it's an immense distraction for one of the EU's founding members, a political spur to other Euroskeptic parties... and as we've seen time and time again, once you actually move to direct democracy on a majority vote... you never know.

The other country that looks set for a referendum is **Austria**, where an extremely closely run election for the head of state was just overturned by the constitutional court on the basis of irregularities. Austria's two establishment parties have been gutted in their popular support; and post-Brexit, their own freedom party now has momentum to take the top slot, which would set the government up for the country's own referendum on Europe. Austria is hardly a powerful voice for European leadership, but again the precedent is important for other countries across the continent.

That's it in terms of European countries where referenda look likely. But opposition to the European Union is growing in most every country on the continent, and the political impact of the rise of populism on mainstream political parties is structurally important for electoral politics, domestic policy outcomes, and the EU's negotiations with the United Kingdom. All mainstream European leaders will prove themselves very, very distracted by Brexit and growing populism over the coming two years at an absolute minimum. that's certainly the case for France and the (right now) poll-leading front national, whose Euroskeptic agenda will need to be embraced, at least in part, by the center-right as they enter election season. It'll be true for Italy should Matteo Renzi lose his upcoming October referendum on political reform. And it's true for Germany, where chancellor Angela Merkel's political leadership and flexibility is constrained by more hawkish politicians on both the left and right. All of which undermines Europe's governance and makes it less resilient in the face of further crises.

Turkey, Isis

A terribly busy week for Isis, calling for widespread attacks over Ramadan and succeeding — most dramatically in Bangladesh, Iraq, and turkey. their losing territory in Iraq and Syria has created an increasingly Al Qaeda-like focus on attacks on the "far enemy," but with far more resources. That's only going to grow over time (I'm surprised the Russians haven't suffered a serious attack yet, for example). But from last week, the story is Turkey.

It had been the best day Turkey has had in years — president Recep Tayyip Erdogan offered condolences to a Russian fighter pilot shot down by the Turkish air force some seven months ago, and announced a renormalization of relations with Israel after years of tension over an Israeli blockade on transit to Gaza. The Russians and Israelis hadn't moderated their positions; Erdogan backed down in the hopes of improving what's been an increasingly untenable geopolitical position.

It wasn't to last. The very next day turkey was hit with an unprecedented terrorist attack against the international wing of its Istanbul airport, with dozens dead and hundreds injured. What's been an

extraordinarily bloody year grew more so, as the Turkish government blamed Isis for the attacks and immediately launched a series of sorties against Isis targets in Syria.

The good news is Erdogan showed he's capable of backing down when he's under severe pressure — something the risk-acceptant and temperamentally brittle Turkish leader hadn't displayed before. The question is whether it's too little, too late... and whether a reformed Erdogan will have enough geopolitical space to operate.

We're going to find out. According to US intelligence sources, at least 35 Isis operatives recently made their way to Turkey to launch attacks during Ramadan. US and regional successes in pushing back Islamic state territorial gains in Syria and Iraq is leading to the group's fighters moving into other arenas — and Turkey, with a land border with both countries and some 2.5 million refugees, is the easiest place for Isis operatives to function. They also have a motive — Turkey had been avoiding attacks on Isis in Syria, turning a blind eye to their transit and oil sales across the Turkish border. Ankara was focused instead on the Kurdish separatist rebel groups they consider terrorists. Which is a key reason why, unlike in Europe, Isis doesn't take public credit for successful attacks in Turkey: it's meant to serve as a warning to the Turkish government. If that dynamic changes, Turkey could quickly become the top target for terrorist attacks in the region.

Meanwhile, events in Syria are only moving further against Turkey's interests. The United States and Russia are working more closely together to bomb identified terrorists rebels — essentially solidifying Bashar al-Assad's regime. To date, that's been a completely unacceptable outcome for the Turkish government. Refugee flows are continuing into Turkey, as are the moves of the Kurds in Syria and Iraq towards de facto independence. Turkey's unlikely to be able to keep a lid on violence from Kurdish separatists inside Turkey in this environment. And at best Ankara will kick the can on its agreement-in-principle with Germany and the European Union on cash and free movement for Turkish citizens in exchange for border security and keeping refugees in place. And that's not to mention the bruising internal fight that Erdogan has going on against domestic foes regarding the nature of his future rule, leading to a "pull the drawbridges up" mentality among his own narrowing circle of loyal advisors.

For the coming years, Turkey looks to have the most challenging geopolitical environment of any of the world's major economies (Saudi Arabia, also a serious terrorism target this weekend, being second). Not easy to see Erdogan negotiating himself out of this one.

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It's hard not to mention the g-zero these days, as we see new manifestations of the lack of global leadership play out geopolitically across the middle east, into Europe, and beyond. In that context I was very interested to see the IMF formally announce that their economic "new abnormal" has a geopolitical analogue... the first time a major international organization has recognized that we're in a g-zero world.