



ONLINE

DOKUMENTATION

Konrad-Adenauer-Stiftung e.V.

www.kas.de/brasil

EU 2008-2014: a good crisis? Exit out of the crisis and democratization

Mario Telò¹

1- THE EU AS THE MOST SOPHISTICATED REGIONAL GROUPING FACING THE WORST CRISIS SINCE THE 1930s

A new stage of EU studies is open since a decade. Discussing about the state of the EU without situating it in the global context is largely obsolete. 'Thinking global' about the EU has some consequences:

- a) EU is not a federal state in the making but a regional grouping of neighbouring states and societies. Not only is it completely useless to spread up illusions of a second 'United States of America' in the making, but also other state-styled models, like the debate about the capability/expectations gap is a consequence of a wrong analysis. Comparing EU with US may be misleading, whereas similarities and differences should be analysed with MERCOSUR, ASEAN and other analogue regional groupings. A very large, academically established, interdisciplinary literature exists regarding comparative regional cooperation in every continent. Indeed, the tendency towards regional cooperation and regional shared policies is rising in every continent. This trend is embodied by multidimensional entities, rather than simple FTAs, including trade, socio-political integration, and coordination of national policies, conflict prevention and shared identity. The international community of researchers agrees on two hypotheses: we will have more regionalism in the XXI century than in the XX, and regional cooperation will progress in every continent according to various paths.

¹ Emeritus president IEE-ULB Brussels, Member of the Royal Academy of sciences and professor of International relations at LUISS-Rome.



These scientific achievements put forward relevant insights regarding the current crisis which can be compared with the MERCOSUR and ASEAN crises taking place in the late nineties: in both cases the conclusions of the observers are that regional grouping may transform the crisis into an opportunity of further enlargement and regional cooperation: a case point is the ASEAN enlargement to further members and the Chang Mai initiative in 2000 creating a regional Fund within ASEAN+3. Likewise, we can consider MERCOSUR' expanding membership as well as its step forward as the regional Fund, the UNASUR and the Parlasur among others. Regional groupings are not a panacea; however they are, according to a highly qualified international literature, a structural feature of global governance. They are resilient to external and internal crises even if expecting them to become state kind of polities proved as misleading.

- b) The EU is about to start its exit out of the worst financial, economic and social crisis since the '30s. This crisis is mainly accounted for by international reasons as well as internal causes. It first originated in the US (sub-primes and housing speculations with consequent bank failures in 2007) and not within the EU. The European sovereign debt crisis is not a "Euro-crisis" (indeed, the European currency is too strong: 1.39 \$ for one Euro in 2014 whereas the change in 2001 used to be 1.17 \$) but rather a national public debt crisis (provoked by wrong national fiscal policies decided by several national governments) and a political crisis of the Eurozone governance mechanisms. The open question is whether this crisis may become a «good crisis" deepening regional integration or a "bad crisis", prompting disintegration.

The UK represents the tendency towards disintegration symbolized by Premier D. Cameron's proposal of a referendum in 2017 about exit, as well as by his demand for "less Europe and more flexible Europe". Margaret Thatcher has been considered as euro sceptical UK leader for a decade. Her controversies with Commission president J. Delors, as well as with the French president F. Mitterrand and the German Chancellor H. Kohl are still alive in the collective memory of many observers. However, never did she propose a referendum about the exit out of EU. The UK-disintegration policy is making a qualitative step ahead. It implies a clear demonstration of the self-defeating character of an approach to EU cooperation which is only based on narrow, short term, cost-benefits calculations. This approach only renders the domestic support increasingly smaller because all the mobilising issues of political legitimacy and political identity (the heart) are left to euro sceptical



parties and tabloids, resulting in this outcome: the UKIP victory at the 2014 EP elections. The risk for the English conservative leadership is to foster a double disintegration: an internal secession of Scotland and a victory of the anti-EU membership referendum. D. Cameron demands to the EU an impossible "flexibility", even beyond the current "opting out" from the Euro and other common policies: a kind of '*Europe à la carte*' without any internal solidarity and shared political union /identity.

The Eurozone members cannot accept this radical rollback of the EU *acquis* which would put also the common market under threat. What about the alternative way ahead for the UK? The US administration comment ("dear Britons, you are interesting for the US international influence provided that you remain EU's relevant members") indicates evidence about the deadlock the UK Conservative leadership is entering. By contrast, Germany, Italy, Belgium, Spain, Portugal, Poland and other member states represent the will of a large majority of the population to make of the crisis a driving force for a democratized and deeper regional integration. The new European parliament, limiting the Euro sceptical and Europhobic groups to 150 sits out of 751 clearly proves that the large majority still in favour of this perspective in most member states. In this context, the European perspective is presented to the public not only as ensuring the three main early classical messages (ensuring peace between previous enemies, framing democratic consolidation of national polities, fostering socio-economic prosperity) but also as an opportunity to strengthen a common identity and common policies within the unstable and uncertain globalised world of the XXI century.

Which tendency will prevail, disintegration or integration? Six years after the crisis beginning and after many years where the Anglo-Saxon comments have too quickly forecasted the end of the Euro, we can say that the Eurozone and the EU are half way out of the disintegration danger.

2. INTEGRATION/DISINTEGRATION: THE CHALLENGE OF EFFICIENCY

As said, the current crisis regards the political governance of the Eurozone and is not a "Euro-crisis". At stake is precisely the balance between the power of central EU institutions and single MS sovereignty. We mean that the Maastricht treaties entail asymmetric provisions as far as the EMU is concerned: on the one hand, a spectacular monetary unity of federal style



(like in the US) and, on the other hand, a decentralised and 'confederal' European economic union, lacking: budgetary union, fiscal policy coordination, and banking union.

That is why the EMU internal governance was unable to coordinate the macroeconomic policies of single national governments in the golden years between 1997 and 2008. Many national governments did not take stock of the excellent spread between their national bonds and the German bonds and they only increased the national sovereign debt. The Stability Pact failed when even France and Germany did not respect the 3% annual deficit clause.

Exit strategies cannot mean other than revising these decentralized governance with significant steps towards more centralization of the economic governance, so to speak, more Europe.

Therefore, every step out of the socio-economic crisis is converging towards more European integration:

- Creation of three new agencies for controlling the obligations, stock and insurance market.
- "European Semester" (beyond the previous article 99 of TEC) as macroeconomic multilateral coordination by the Council of national budgetary policies, before their approval by national parliament;
- A new Intergovernmental Fiscal Treaty for underlining the need of budgetary stability, aiming to stop deficit spending beyond the 3% and recovering the accumulated debt;
- European financial facility and, subsequently, the European Stability Mechanism, as a powerful guarantee (900 Billion Euros) against possible international speculative attacks against the sovereign debt of a Eurozone MS;
- Expanding the anti-cycle role of the M.Draghi-led ECB by providing liquidity to the banking system and warning global speculation that "everything would be done to save the Euro" (2013);
- Banking Union combining guarantees and control of the 200 largest banks by the ECB in 2014



These measures have often been decided too slowly and implemented in an uneven way; however they all embody steps towards more regulation and more integration. We cannot yet state in 2014 about their success, which is controversial in the literature. However, if the measures are analysed as a package, they imply a mix of austerity and growth/employment, solidarity and more centralized control. They also imply new modes of governance: not a simple shift towards inter-governmentalism but aiming at a new mix of supra-nationalism and inter-governmentalism. The "European semester" is an example: the monitoring process happens within the council that defines the guidelines and checks the follow-up on a regular basis; however the Commission organises the monitoring in the 28 capital cities and provides the Council with assessments of national policies and proposals of recommendations. These recommendation will be stronger in the case of signing voluntary "bilateral arrangements" (between member states and commission, exchanging aids with more supranational control mechanisms), after the October 2014 European Council. However, the pace and the way these measures and relevant changes have been implemented have strengthened the democratic deficit, with various forms of populist rejection of decisions perceived as technocratic measures from above. The risk is a huge discrepancy between efficiency and legitimacy.

The limited signs of recovery are not yet sufficient to change the trend of substantial output legitimacy: Greece and Portugal are again selling their bond on the international markets, Italy and Spain spread with the prices of the German bonds decreased from 575 points in 2011 to 140 in 2014....., but the average unemployment rate is still at the record level of 13%, and 40% for the young within the crisis countries. Recovery is slow and fragile and unemployment has reached an alarming rate. If an entire generation is largely excluded from the labour market, this will cause serious consequences concerning democracy. We risk saving the Euro so late and by so technocratic and socially costly ways that Euro-recovery will be at the price of killing the very soul of EU integration: the social model.

3. THE CHALLENGE OF LEGITIMACY AND A WRONG GOOD SOLUTION

The democratic deficit has been worsened by the too slow progress of EU foreign policy (despite the new provisions of Lisbon Treaty and the EEAS) and of immigration policy, despite the steps forward towards a "*communautarisation*" of the decision making. All in all, Euro barometers



show a declining support for the EU within the public opinion of the Member states even if the score varies from 30% to 65%.

Which could be the way out?

Is the raise of Euro sceptical groupings a danger for EU unity? The perception of a policy making without politics paves the way among others to right-wing (much more than left-wing) populists streams demanding renationalization of policies and zero tolerance against immigrants. These populist parties are divided about many issues, notably regarding: more liberalization (UKIP Farage) or more protectionism (Marine Le Pen and the extreme right in Hungary, Holland, Belgium...)? Their role and potential impact should therefore not be exaggerated: they are split in several groupings and have only in common the radical opposition to "more Europe". However, the threat coming from divided euroskeptical grouping counting around 15% of the EP, despite their campaign manipulating the effect of the worst social crisis since decades (and playing it against the scapegoat EU), should not be exaggerated. Their negative and destabilizing impact is greater within national politics of some member states like France and UK (Grillo Five star movement with 20% and 17 MEP has been defeated- minus 3 million voters compared with 2013) by the democratic party led by Renzi reaching the record score of 41%, 31 seats, thanks to a successful campaign focusing on stability (against Grillo and Berlusconi anti-Euro campaign) and change, notably a reform policy at EU level.

The large majority of the four main families (S&D with 190 MEP, EPP with 212, and Ecolo with 50, Liberals with 67 and to some extent the Left with 52) are in favour of further steps towards European unity, as economic, environment, energy, social, immigration and foreign policy are concerned. They are divided by the priority of social issues and of the demand of democratization of the Eurozone governance which makes possible convergences: for instance, about the 4 EU leaders to be pointed and ratified by the EP: president of the Commission, of the EU Council, of the Parliament and High representative for Foreign policy. This is part of the European parliamentary democracy.

Furthermore, in case of respecting the will of EP democratic elections, and of the role of the EP by setting both the EU's authorities and the plan for next 5 years, the most relevant European philosopher Jürgen Habermas (*Frankfurter allgemeine*, 2014 June 1st), the inventor of the idea of a 'European public sphere' in the making and of a 'European constitutional patriotism', would be



happy about the victory of the democratic logic against the interstate bargain defended by D. Cameron. The existence of an even radically critical approach by euro-sceptical minorities is not in conflict with the creation of a deeper European public sphere: by contrary, it is quite normal, a physiological side of political democracy, channelling citizens tempted by abstention to participate in an institutional decision making process. The unique experiment ever of a supranational parliament elected by the citizens of 28 states, speaking 25 different languages would be strengthened: it has survived the worst crisis of the European history after the '30s, by strengthening its democratic features and by limiting the declining turnout to a level (43, 3%) comparable with the US presidential elections turnout (notwithstanding the EU nature as a non-state polity, but as a regional entity)

As the future is concerned, a large school of thought favours increasing politicization of the EU democratic life (S.Hix and his school for instance). In our views, this is one of the pillars of an enhanced EU legitimacy within the national public opinion. The role of the EP as such within the institutional system is a second one, because on the one hand, it channels the variety of feelings and perceptions typical of a troubled European civil society its hopes and fears within a globalized economy; on the other hand the EU is not a state and its legitimacy requirements will inevitably be more complex than the one of a federal state. EU is an extraordinary machine of multilevel, multinational and multi-actor negotiation which cannot be managed only according to the simple right-left cleavage. This complex negotiation process needs compromises, limiting the conflict between states; it needs convergence and compromise between different national, social and political interests, various national democratic demands and claims, to be reached on a regular basis; what is necessary are also technocratic and intergovernmental bodies and various modes of governance, parallel to democratic principle represented by the EP.

Furthermore, the economic union is on the agenda, it will be the EU way towards a political union of a new kind (not a replication of the US federal state); however, the economic union cannot be an enterprise for 28 MS but only for an expanding Eurozone. This two levels European integration process *de facto* already exists (Eurozone, Schengen area...): it can only be strengthened and formalized by its own budget, foreign policy integration and parliament in the years to come.