

BÖLL LUNCH DEBATE

Widening Cracks in the Eurozone, a Possible Withdrawal of the UK and Disgruntled Citizens: How to Keep Europe Together? ¹

*With only ten months to go to the 8th Europe-wide elections to the European Parliament, the future of the European Union is uncertain. The cracks between peripheral and core countries in the eurozone are widening, the U.K. has a hand on the door handle and citizens all over Europe show their disillusionment with Europe through angry protests or general Europe-fatigue. Populism and nationalism raise their ugly heads in many countries, a worrying sign considering that the year 2014 should be a year of remembrance and reflection for Europeans. It will then be 100 years ago that WWI broke out taking over 16 million lives and leaving 20 million wounded during the five devastating years it lasted, and it will be 75 years ago that German troops invaded Poland starting WWII, a ferocious war, which with over 60 Million deaths turned into the bloodiest conflict in history. The European project that originated in 1951 was designed to prevent this from ever happening again. After many successful years in which borders disappeared and nations, which had succeeded in shaking off right- and left-wing dictatorships came on board, first cracks started to show in the debate on the ill-fated European Constitution, followed by enlargement fatigue and the rise of populist, anti-European parties. The financial crisis that hit Europe for the first time at the end of 2008 did the rest. Within just five years Europe turned into a sinking ship with too many captains at the helm squabbling over directions to take. When over 8 months European citizens will (or will **not**) go to the ballots to elect a new European Parliament, what Europe will they be voting for? What reforms do the European institutions need so that people can understand and trust them again? Perhaps, the choice is not between 'more Europe' or 'less Europe', but rather: what sort of Europe do we need to close the cracks and keep all nations aboard?*

The end of European solidarity – or the beginning?

Facing the eurozone crisis, Europe has in fact to encounter and deal with the overlapping of economic, social and political crises at the same time. These crises manifest themselves in increasing divergences within the eurozone and the EU – divergences which are as unprecedented as the crisis itself. They started in the financial sector, in the costs of issuing public debts and in interest rates, turned into economic and social divergences and in the end could lead to political divergence – something which can be dangerous for the project of European integration.

Therefore, the EU is really at the crossroads. There are three different scenarios for the future of Europe conceivable: it could either breakup or take a bolder step e.g. by completing the

¹ The event took place on 9 July 2013. Guest speakers were **Paul Adamson**, Senior European Policy Advisor, Covington & Burling; **Ralf Fücks**, President Heinrich-Böll-Stiftung, **Luuk van Middelaar**, Political philosopher; Advisor/Speechwriter to the European Council President Herman Van Rompuy and **Maria João Rodrigues**, Policy Advisor in the European Union institutions, Professor of European Economic Policies at the Institute for European Studies, Université Libre de Bruxelles (IEE-ULB) and at the Lisbon University Institute (ISCTE-IUL). **Annette Riedel**, Brussels Correspondent Deutschlandradio was the moderator. The event was held under Chatham House Rule. The opinions expressed do not necessarily represent the opinions of the Heinrich-Böll-Stiftung.

economic and monetary union, or it could remain in between in something which can be referred to as ‘muddling through’, a way of identifying the solutions step by step. At the moment the EU is, in fact, in this last scenario. However, muddling through does not necessarily mean to continue with very small steps – as the EU does at present – and being able to reduce the most pressing threats but not the underlying divergences; muddling through can also take a more ambitious stance and try to deal with the root of the problems.

Indeed, if the EU really wants to achieve progress, strong European instruments need to be built. For this, it is necessary to define a deal, which is perceived as fair by most Europeans, and to define the right combination between stronger European support and stronger responsibility coming from Member States. This deal has to include the whole EU. Even though the eurozone has specific problems and needs to take a step forward to solve its own problems, the problems of the eurozone are not only *its* problems but affect the whole union, especially as most Member States want to be part of the eurozone. The overall approach pursued should therefore be an inclusive one and all Member States should be involved in discussing the solutions.

Some argue that for solidarity to work it needs to be understood as fair and thus that a fair deal – as mentioned – is a necessary basis for it. The root of the problem is that sometimes it is assumed that we should not be in solidarity with those who are not making the necessary effort. This problem needs to be recognised and consequently it has to be ensured that if someone is in a problematic situation they need to make a real effort. This is a question of individual or national responsibility. However, the current situation proves clearly that even if a country is making a gigantic effort, it can only bring part of the solution because the problem is too big. This needs to be explained to the public opinions everywhere.

The images of people demonstrating in the streets of Athens, Lisbon or Madrid show that one of the big casualties of the crisis is the myth that there was always solidarity in the first place and that it will be a real challenge for the future that maybe Europe does not show that much solidarity when things get tough. In contrast to that, it can also be argued that while the EU used to be an elite project, now for the first time citizens are discovering that they are in the same boat and that what happens in one country can have direct impacts on what happens in another country. This is a new insight and, therefore, it could be argued that what we experience is not the end of solidarity in Europe, but the first test of solidarity, the first time that solidarity has ever been asked. There is a lot which already holds us together but people have to develop the feeling that they are part of the same story – part of the same recent history as well as of the same future.

The UK’s special course

The problems mentioned are also evident in the UK’s stance towards the EU. The fact that David Cameron actually promised a referendum on the UK’s future within the EU in his speech on Europe on January 23rd might be partly explained by Cameron’s wish to establish order within his own party. Another explanation is Cameron’s and the Conservatives’ fear of the results of the European Parliament’s elections in May 2014 – or more specifically their

implications for the UK national elections 12 months afterwards. They are afraid that the UK Independence Party (UKIP) will win the European elections – which would not only raise questions about the composition of the next European Parliament. Although it is unlikely that UKIP will win many seats in the national elections, they might nevertheless target the marginal seats of the conservative party and might be able to take some votes away from the Conservative Party there. The UKIP strategy could thus rob the Conservatives of the possibility of staying in power without a coalition partner. So in his speech on Europe, Cameron is trying to appease everybody - not only in his party. But as mere words are not enough and all these people want is for the UK to withdraw from the EU, Cameron had to pledge a referendum.

It was announced that the referendum should take place by the end of 2017 and that it will be on the basis of successful renegotiation of the terms of membership of the UK in the EU. The referendum thus depends on several conditions: Firstly, on whether Cameron and his party will still be in power after the next elections and secondly, on the possibility of renegotiations. Cameron and his Conservatives assume that they can get away with this kind of fudge that they can have a renegotiation. The question is what other Member States would want to renegotiate with him and what is left to renegotiate anyway.

However, there are also some signs of hope for the remaining of the UK in the EU. Cameron is for example quite keen to push the TTIP (Transatlantic Trade and Investment Partnership) agenda. While doing this, he must have noticed that it is only worth supporting for him and getting its benefits if the UK stays within the EU. Also, the current discussion about EU and membership in the UK is finally forcing the pro-Europeans to come out and start fighting. One may not see much evidence of that happening but bit by bit it is possible to identify civil society groups, think tanks and 'real people' as well who start defending Europe. Some would even go as far as to suggest that someday – thinking a very long way ahead – when a solution for the current crisis has been found and the eurozone will be a successful choice, even the UK will discuss joining.

Finally, where Cameron deserves some credit, although his style might be patronising, is that he tries to start a broader debate about European reform. Because after all, dealing with the question how to keep the UK within in the EU is also about the question how to keep Europe together and how to keep EU relevant in the 21st century, what it should focus or not focus on. The question is thus which reforms Europe would need.

How to keep Europe together: institutional reforms ...

One of the core questions for any European constitution is how to balance unity and diversity, how to strengthen European institutions while at the same time not undermining the responsibility of the national governments and parliaments. So when thinking about the future of the EU we have to ask ourselves: do we envision Europe as a kind of all-European federal state? Or do we envision it as a kind of flexible network of cooperation with different layers of integration within the EU – giving space to the diversity of Member States with very different political cultures and traditions and economic structures? Some suggest that indeed there is no 'fits-all' model for all EU countries' but there is a need for greater internal differentiation –

especially face to further enlargements. Yet, internal differentiation – in this view – should not mean a division into core Europe and the rest, but a real opportunity for different speeds and different line-ups of cooperation. The common basis for a Europe like that could be represented by the common European institutions.

However, at the moment, these institutions are facing a crisis of trust which has to be dealt with. Several different reforms can be proposed to tackle it. Some suggest that it is necessary to strengthen the power of the European Parliament, for example by assigning it the power to elect the Commission – and thus make the Commission more responsible to it and the European electorate. Another idea could be to let the President of the European Commission be elected directly by European citizens. This also reflects the opinion of some that there needs to be an agreed view on a leader for Europe to whom people can give support and who has a vision. Although there is no possibility which could allow the emergence of such a leader within the institutional balance of power in the EU, there might be the chance of someone who will attract the fantasy and touch the emotions of the European public.

In addition to that, in order to involve European citizens more into the European political process a further development of elements of direct participation, like the EU Citizen Initiative, is needed. These and other instruments, like all-European candidates, for the European elections could – in the long run – also help strengthening the basic European political public sphere, which barely exists at the moment but is of course at the core of democracy.

... and a new vision for Europe

It is evident that the European project is not precisely defined and that consequently there will always be diverse ideas on the future of Europe. Of course, Europe has to come to terms with itself – but for which purpose? Europe has to become aware of the role it wants to play in the new emerging world order. This should be an active role – as a foreign policy actor as well as a leading actor in the economic transition towards a sustainable economy.

Europe has the capacities to take the lead in the transition to a new growth model, a model of smarter, greener and more sustainable growth. The core project for that could for example be a common European energy policy and the energy transition to a high degree of energy efficiency and renewables as the base of the European energy system. Such a project with really transitional power would be able to start a new wave of innovation and investment to renew European economy.

These kinds of vision of Europe's role in the world can create new kinds of dynamics and might be able to send out a message to the people about what Europe is standing for: a reminder that Europe is not just a set of institutions, it is about policy. In this way, a new wave of motivation and identification with the European project could be created.

The paradox we are in now is that this transition is difficult to implement in many countries of the EU because of a lack of the necessary financial and political means. There has been some

progress in different fields but there are also challenges which remain, like the following three examples can show:

- 1) The lack of means in the financial area. Because of the crisis many important reforms have been introduced to encounter one of the problems, namely irresponsible lending and borrowing. However, while trying to control this, the EU is still facing the problem how to establish a normal level of investment and access to credit. This is important because if SMEs cannot invest, no new jobs can be created in Europe.
- 2) Fiscal discipline. It is now much better understood that the eurozone members and the EU members need a common fiscal discipline and there has been some progress in this direction. Still, what is needed is a smart fiscal discipline leaving some room for key forward-looking investments and making sure that the issue of debt is at reasonable costs. The role of the European Central Bank in this aspect leads to controversial discussions.
- 3) The competitive challenge. At the moment cuts in wages and social benefits are considered necessary to strengthen competitiveness. Although it is of course necessary to align wage developments with productivity, such cuts seem anachronistic. Competitiveness is not a zero-sum game: if the EU moves to greener, smarter growth, it can be a win-win-situation. For this the EU needs the appropriate financial means.

Finally, however, it has to be kept in mind that the crisis we are going through is the crisis of an advanced system. Europe is the most advanced political laboratory for multinational governance in the world. Nobody knows what the chances are for a federal Europe because a federal Europe is not replicating something existing in other parts of the world. However, the EU has tragic experience with dealing with all kinds of impossible constructions and is very good at squaring the circle - each time at a higher level.



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