

Event Report

BÖLL LUNCH DEBATE

2014: A Challenging Year for the European Union¹

On 1 January 2014 Latvia became the 18th member of the eurozone and Bulgarian and Romanian citizens finally got the right to work throughout the EU. Neither of these events gave rise to much enthusiasm. Even though the eurozone crisis does no longer dominate the European agenda, it is far from solved and many citizens are in doubt whether Latvia will prove to be a valuable asset to the still troubled euro area. Others fear migration streams from south east Europe adding to the economic and social problems in their countries. With the elections for the European Parliament coming up in May optimism is hard to find among those who believe in the European project. If even less citizens go to the polls than in 2009 (turnout: 43%), the legitimacy of the European Parliament and in its slipstream the rest of the European institutions is at stake. But that is not the only danger; the other being that more seats than ever before will be taken by Eurosceptic parties, which could sabotage any progress for the next five years. Is there still time to convince enough citizens, especially the young, to give their support to the European project, however bruised and battered it may look at the moment? What are the main challenges to be mastered if, at the end of the year, the European Union and its supporters will be able to look back with contentment, pride and relief and forward with confidence?

Current foreign policy/ neighbourhood policy challenges

The current situation in Ukraine urges the European Union to act. Specifically, economic help is needed to support the country. However, decisive action cannot really be expected as the fact that the mandates for the current European Parliament and Commission are coming to an end soon, will inevitably lead to obstacles on the decision making front. Furthermore, the EU has rarely achieved to take collective action in the area of foreign policy; interventions such as in Libya or Mali were spearheaded by one or only a small group of Member State(s). This points out precisely the weakness of EU foreign policy and its failure to create a democratic pro-EU neighbourhood. To put it simply, the EU does not have the 'muscles' to contain Russia neither does it have the money to bail Ukraine out of Russia's sphere of influence, neither does it have

¹ The event took place on 19 February 2014. Guest speakers were **Annamaria Simonazzi**, Professor of Economics, Sapienza, University of Rome, **Eleni Varvitsioti**, Journalist, EU Correspondent *Kathimerini* and **Stefani Weiss**, Director Programmes Europe's Future and Shaping Global Future, Brussels Office of the Bertelsmann Stiftung. The event was held under Chatham House Rule. The opinions expressed do not necessarily represent the opinions of the Heinrich-Böll-Stiftung.

the soft-power to convince *all* Ukrainians; the population remains split between Russia and the European Union. It is unwise to stimulate feelings about EU integration, if the EU cannot actually cater to these feelings. Finally, as the EU is a stakeholder in the region, it is important that mediation takes place between Kiev and Moscow through the UN or some other neutral party rather than the European Union.

As a response to the EU's inertness, there is a call for more Europe and more integration. This movement advocates that size does matter, especially in regard to foreign policy and that more common approaches for policy issues are necessary. Unfortunately, many voters have not bought into that argument as they feel that they are being directed by Brussels, that their identity is being eroded and that the future does not look as bright as it used to do to former generations.

Economic challenges

The economy remains one of the biggest challenges for the EU. Though the euro was (at least temporarily) saved, the current economic policies need to change if we want to avoid human tragedy and economic waste. Unemployment is the most important economic issue (with 19 million unemployed across the EU) and is exacerbated by the fact that the burden is so unequally shared among the 28 Member States. A political union with countries featuring 5% unemployment and others featuring 25% is politically and socially unsustainable. Especially, youth unemployment has risen sharply, particularly in the southern European states. The longer the crisis prevails, the more these young people are becoming unemployable.

There is much talk about an economic recovery in the EU but this recovery of 0.5% is extremely small compared to, for example, the US recovery at 3.2%. There might be light at the end of tunnel, but if economic growth remains at the current levels for the foreseeable future the situation will become socially and politically unsustainable. Furthermore, three difficult questions have yet to be answered, namely the issue of public debt, the mutualisation of failing banks' debt and economic governance.

We used to say the US cannot afford unemployment because they have no safety net. But the EU has now reached a stage where it can no longer afford unemployment as the austerity measures have dismantled the welfare state bit by bit. In the southern countries, the families have taken over the role of safety net, which means that they eat into their savings, their wealth is being eroded and inequality increased. It is this increasing inequality, the impoverishment and social exclusion which fuel the growing anti-EU sentiment, which finds expression in anti-EU movements combining different parties, movements which, by the way, are not only to be found in countries suffering from the crisis. It is to be feared that the entry of anti-EU parties in the European Parliament might trigger speculation, speculation which in turn will damage the euro and the weaker countries. Recently, the German court of justice rendered a verdict that undermines the ECB's power of doing "everything necessary" to prevent a break-up of the eurozone. If a new financial crisis was to break out, the ECB might no longer have the credibility to take preventive actions, in case there is no cohesive attitude towards the ECB from all member states.

Quite clearly austerity measures have neither succeeded in improving public finances nor in making fledgling economies more competitive through the lowering of wages and prices. The latter policy also seems to be contrary to the EU's aim to achieve a knowledge economy and not one competing on prices. In order to build up this much-needed knowledge economy, the education system needs to be bolstered again. Essentially, asking crisis countries such as Greece, Italy and Spain to compete on prices leads to a fostering of the status quo of

specialisation and not to innovation, which, again, should be the goal the EU aims for. In connection with this policy of lower prices the ability to *reduce* public debt has also been hampered as the low rate of inflation is effectively *increasing* the burden of the public debt, especially in the south.

In order for the economy to recover it is therefore absolutely necessary to achieve EMU sustainability. The fight against unemployment needs to be made the absolute top priority and policies targeted towards the long term; Member States have to invest in long-term strategies for jobs and growth. It is possible to put the unemployed to work as there are many important projects to be tackled such as climate change, which cannot be dealt with on a national basis. If this truly becomes the main objective, financial means to achieve it would be easier to be obtained than is commonly believed. Therefore, it is a positive sign that the EU recently introduced an industrial compact in order to increase industrial competitiveness across the EU.

Adding to these measures, it is necessary to develop a new discourse on how to cope with global capitalism and whether the neo-liberal approach taken by the European Commission is the right one for the EU. The discourse needs to address the question whether it is really possible to grow out of all the problems we are currently facing and the answer needs to focus on how we can achieve a sustainable long-term path for the EU and how we wish to live in the future.

Euroscepticism

Anti-EU movements are on the rise across Europe and combine different parties from the left and the right. If these parties achieve significant victories at the EU elections in May this could considerably hinder the work of the parliament and the EU institutions. The fact that these parties exist in countries that have been considerably less hit by the crisis such as the Netherlands, France or the UK is also a cause for concern for the European project. Nevertheless, the rise of eurosceptic parties might also be a wake-up call for the mainstream parties to show more profile to their voters.

Immigration

Immigration is another challenge the EU will have to face in 2014. Border countries such as Greece are especially affected by huge migration flows from Asia, the Middle East and North Africa. As a first port of call Greece and more recently Bulgaria have been overwhelmed by and unprepared for the immigration/refugee problem. However, the fact remains that most people coming illegally into the EU do not want to stay in Greece or Bulgaria but rather hope for a better life in northern Europe. Yet, current EU policy punishes countries on the border of the EU as the initial state is solely responsible for the asylum procedures and illegal immigrants can be sent back to the initial port of call from other EU countries.

As a result of the very visible immigration/refugee problem in border countries, extremist parties have been gaining pace. In Greece Golden Dawn sprung up as a party promising to “clean the streets of immigrants”, while the government seemed to ignore the issues that everyday people were confronted with. It is therefore necessary, that the EU changes its policies so that all Member States share the burden of immigration and asylum policy. These are European problems that require European solutions. More funds will be needed for border countries to secure EU borders but migrants will also need to be accepted in all EU countries and not mostly in the border countries. Furthermore, the EU should take proactive steps, such as opening

asylum centres on the borders of countries such as Turkey and Syria. Possibly, non-economic migrants could be given temporary visas to work in the EU before returning to their home countries a few years later.

Outlook for 2014

The politicisation of the Commission presidency will make a lot of waves and hopefully the Parliament's proposal will be accepted without the need for lengthy rounds of negotiations with the European Council as this would distract from more important issues the EU needs to deal with. Still, 2014 will probably not see a great deal of important political output, which is urgently needed to solve the still-unfolding crisis in terms of the economy. Therefore, civil society and important stakeholders need to raise their voice to push the political class in the direction of important legislation that needs to be tackled, such as immigration policy and help for border states of the EU.

It should not be ignored, that the EU has made remarkable progress in the past 4-5 years such as the creation of a support mechanism for countries in financial trouble, better financial supervision and is still aiming towards a banking union, which would represent a huge step for the EU. If at the end of 2014 the EU can exceed our expectation by, for example, introducing the industrial compact officially or courageously tackling climate change and energy policy, then we will, in spite of everything, be able to speak of a good year for the European Union.