

THE EUROPEAN UNION- VERSION 2.0 -A FEDERAL EUROPE OR NO EUROPE-

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Abstract

Nowadays, the EU is still the most ambitious project of the last decades, an economically driven project, with extremely high expectations for the new economic strategy and for the future. How could the EU address the current crisis in a more pragmatic way, but also pave the way for Europe's future? The EU, in spite of its difficulties, has made Europe a better, more peaceful and more prosperous place. This paper will describe and analyze the EU alternatives for the next years. The author is aware that any scenario may suffer significant and consistent changes, but the reality is that Europe must decide on its future this year.

Keywords: European Union, reforms, federalism, institutions

JEL Classification: E66, F59, F60, O52

The world is struggling nowadays with the need for global governance, as a channel and at the same time an instrument, in the context of the present multipolar international system. If in the '80s the global governance was divided into two regions and political doctrines, nowadays none of the world countries or superpowers hope or can respond to the present challenges -the endless economic crisis, more and more trade regulation, political instability, environmental issues.

A common watcher of the news, regarding global governance, can say that in the last two decades the western economic model has succeeded at the international scale. Unfortunately, things are far more complicated. For example the increasing levels of interdependence between nations and regions, are generating a slow but steady shift in the world economic power but not to WEST, as we can mistakenly believe. All the economists are watching now again to EAST.

The European Union is sadly respecting the pattern mentioned above. More than five years of economic crisis have had a very important and also negative effect on the world economy in general and the EU, especially. The EU regional model, almost unanimously admired before 2008, has proven severe imperfections both in

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design and functionality. Beside the economic imperfections the EU framework has also disclosed the need for institutional reforms.

As a result of the crisis, the EU member states have become more and more interested in putting in order their finances, and less for EU institutional cohesion. EU member states have disagreed on almost every major international issue proving that the European single voice is more an idealistic picture of the realities. The inability of the EU to act as a unit on both domestic and international issues has limited the reach and appeal of its soft power and diplomatic influence.²

The Eurozone has recently shown some signs of recovery but the EU is still considered as a “weak link” in the global governance. Beside the financial struggles, the institutional reform is the most discussed topic in the mass-media themes in the European Union. Although severely disapproved, the EU’s response to the last crisis has resulted in the creation of new supranational institutions and mechanisms which simply looked unimaginable a few years ago. These include agreements for an EU-banking union, the European Stability Mechanism (ESM), the “fiscal compact” treaty, and the role for the European Central Bank (ECB).

For the second time since 2008, the European Union will experience this year a massive leadership refresh. Between May and November, the news coming from the offices of president of the European Commission, president of the European Council, foreign policy high representative, and president of the European Parliament will all be a top story for all the European media. EU citizens will also vote for their representatives in parliament in 2014.

Basically there are two directions that EU can follow in the next years. ***EU can coagulate after the emergency years or it will develop in a mode of chaotic, ad hoc dealing strategies.*** Disputes over these issues were already intense and probably will continue to be so throughout 2014.



It is not a secret that in the near future, the EU will be under strong pressure. Unfortunately this pressure will come mostly from inside the Union, being generated both from its own institutions and from its member states, in their attempt to provide clarity once for all on where it wants to evolve constitutionally and in terms of political reforms.

In a European Union more and more seen as a giant with clay legs, the question remains.....do we actually need a new Reform Treaty, or more dedication and inclination towards consensus, in accordance with the EU motto "United in diversity"?

² Summary Report -Europe and the Future of Global Governance, Council of Councils Rome Regional Conference, September 8–10, 2013, Ministry of Foreign Affairs, Rome, Italy

The necessity of a significant reform in the EU institutional and functional framework is not actually a new issue on the debaters' agenda. For example, most of the analysts of the European integration phenomenon considered the Treaty of Maastricht as a huge step towards at that time, concerning the European construction. In fact it really was. The Treaty was basically a merge of the 3 initial treaties: the treaty regarding the European Coal and Steel Community, the treaties of Rome, regarding the European Economic Community and the European Atomic Energy Community. At that time the future of the EU was a brighter one, the Common Market and the single coin in the United Europe represented two of the most ambitious initiatives in the history of the modern diplomacy.

The Amsterdam Treaty was meant to ensure the continuation of the integration. Despite the fact that The Amsterdam Treaty was not so unique and ambitious in terms of content, both treaties showed to us that the integration process in Europe was a dynamic one at that time.

A turning point in the European institutional competitiveness, let's say so, was the treaty of Nice. In fact the treaty provided the institutional reform necessary to allow the candidate states to be part of the European Union. After the ratifying process which was not a smooth one, the European construction evolved to a new level in its evolution. The experience of the EU functioning process is showing us today that all that treaties were not able to deal with the difficulties generated by an almost permanent enlargement process of the EU in the past decades.

Through the Treaty of Lisbon, the institutional reform reached its another milestone, the European Parliament becoming, from that point, co-legislative for almost all domains. The Treaty of Lisbon did not transform the European Union into a new "super-state" but it did introduced new institutional innovations.

Today, despite UK struggling efforts for a new and comprehensive institutional reform, the likelihood of a treaty change is almost certainly much lower than anyone thinks. Many member states are opposing silently or not to a reform, because the EU has recently reached an unwanted stage of rigid and uncompetitive union, both economically and politically. When the Lisbon Treaty is challenged, the whole deal could disintegrate, and it is hard to believe that in an electoral year for many European countries this radical reform scenario will be seriously taken into consideration.

Maybe the best example in this case is the economic and political situation in France, where a superb economic and political reform agenda has been delayed because of the government's unprecedented weakness. And such political incapacity can be seen almost everywhere in the Union. It seems like the FATHERS OF EUROPE have not provided credible followers, concerning politics at least.

In the EU's eastern neighborhood, the newly escalated geopolitical challenge with Russia will test furthermore the Union strength. The crucial question in that situation will be if the EU has the necessary resources and the political motivation to face this unfriendly challenge. The hostilities started with the European Commission

antitrust case against the Russian giant Gazprom. The dealing of those issues will engage for sure a significant political effort in Brussels and in Europe at least in 2014.

The EU is also engaged in playing a diplomatic role in its southern neighborhood. Then, there is Turkey. The EU will be hard-pressed to find smart diplomatic answers to the Turkey question, despite the uncertainty, and the socio-political instability in the region.

So, indeed 2014 seems to be a very important mark in the EU timeline. I am saying that because the EU must decide fast if the answer to all that issues already presented is the refurbishing of the Eurozone, the EU's core or the Union continues its ideological and economic drifting.

If the answer is YES to the first hypothesis, the Eurozone needs three things: banking union, fiscal union and political union.

The banking union seems to be a necessity if we want to speak furthermore about euro, as a single currency. The realities show us that the states are less capable to control the banking system individually, and it is clear that the corporative model was successfully adopted by banks putting individual states into a very delicate position. In that context, the member states will have to understand that a Single European Currency System cannot be effectively managed at the national level.

The second need seems to be the fiscal union, and when it comes to that issue, things get ...let's say, muddy. That because a potential fiscal union should and will include a much larger central EU budget, apparently financed by some kind of EU taxes, etc.

A fiscal union will not happen if the EU does not promote and create political union. And now these things get really interesting. Why? Because a political union is unlikely, at least in the foreseeable future. And we have enough arguments to prove that such union will not happen in Europe. Just two or three ideas.....for a political union will need first a new institutional reform, and for it to happen over the next five years, Europe needs a unity and uniformity in terms of politics that does not have and cannot hope to achieve. Second, it is clear that the rapid falls in interest rates that came after the introduction of the euro led to excessive spending in member states like Greece, Spain or Ireland. The crisis has put the accent on the role of Germany into the union economy, making the others look weak. If the EU implemented a fiscal and political union now, it would look for sure too Germanic, rigidly rules-based. And it will be correct to look so, since Germany has paid the bills in recent years. Even if Angela Merkel is determined to become the first Chancellor of Europe in her third term of office, in my opinion France and The UK will not accept such solutions....ever.

In the recent years numerous analysts have compared throughout the U.S. creation process with the European one. The fact is that the US spent 80 years, and a terrible Civil War to complete their own integration, transitioning from a free confederation of colonies, and states, into a true single union. In Europe's case, with

such divergent ideologies and a history far more complex than the Americans, the perspectives look ...complicated.

Even without a fiscal and political union, the European Commission has recently gained new powers to supervise not only fiscal spending but also other macro-economic developments, such as wage growth and real estate prices, which could lead to the re-emergence of imbalances. The European Central Bank, together with national supervisors, is getting the power to supervise big Eurozone banks, and if need be, close them³.

For now the new institutional framework in the Eurozone is not having a direct control upon the fiscal and economic policies of the 18's union countries. But probably without a unified political and fiscal system as background it will be hard to offer a real help for countries that find themselves temporarily in trouble.

A failure of that EU refurbishing will lead the Union to an uncertain direction.

According to numerous researchers and analysts if the EU does not find quickly its own path, perhaps it's time for Europe to throw out the EU project itself. And that because it seems that the EU has failed in giving right answers to most of the problems it faced.

For more than four years, EU officials have addressed the economic recession with remarkably poor solutions. The EU imposed severe austerity measures, particularly in those countries with the highest debts. The effects of those measures are let's say uncertain. How well is it working? Quoting Ronald Reagan's famous question to voters in his 1980 campaign: Are people better off now than they were four years ago?⁴ And if is not sufficient, another famous US citizen, Paul Krugman, an economist this time, was stating in 2010 about the EU that "the beatings will continue until morale improves."⁵

In terms of institutional reform need, the Union must quickly decide if the EU is or not a political union. Otherwise the EU officials trespassing into the national governance of member nations represent a proof of ongoing undemocratic behavior. Who is now fully responsible for the people needs? The national parliaments or the EU Parliament? The reality shows us that the responsibility is often passed on from one institution to another, despite the clear institutional procedures.



³ Katinka Barysch , The future of the EU means muddling through,
<http://forumblog.org/2014/01/reinventing-europe/>

⁴ <http://www.businessweek.com/articles/2012-10-11/are-you-better-off-than-you-were-four-years-ago>

⁵ http://krugman.blogs.nytimes.com/2010/09/20/the-beatings-will-continue-until-morale-improves/?_php=true&_type=blogs&_r=0

A more upsetting signal could be the recent reaction of the German taxpayers who apparently won't intend to pay the costs of the European experiment. Some polls conducted in 2013 suggested that 26% of Germans, fearful of the future of their economy and resentful that their savings had suffered, were prepared to vote for an anti-euro party. The figure rose to 40% for the 40 to 49-year-old age group.⁶

Conclusion

As if to confirm the strategic importance of the Brussels 2014 agenda, the European Council, the EU's most important decision-making institution, did an unusual thing on December 20, 2013. It gave the EU foreign policy the supreme mandate to create, for the first time, a comprehensive EU foreign policy strategy. This could be a certain sign for us that a strategic decision has been made, and Europe's vote is for federalism. The timing could be the best one, with a new leadership crew being selected over this year, and so many big issues on the agenda, there is some hope that Europe will wake up and restart the engines.

The EU urgently needs measures to improve its democratic legitimacy and the decisions made in its institutions. After the European Parliament elections (May 2014) the EU must refresh several key deciders:

- President of the European Commission;
- President of the European Council;
- High Representative/Vice President for Foreign Affairs & Security Policy;
- 27 other members of the Commission;
- The new President of the fresh elected Parliament.

This substantial renewal of EU senior deciders will clearly affect the direction of the Union over the next years.

As a corollary, the lesser evil for Europe seems to be now the federalism. Europe has lost precious time with the Union construction, and I don't know if Europe can still compete with the global economy in a divided formula. Like Luka Orešković said: "Direct, pan-European democracy would probably break the crust off. As for the contributing nations, direct democracy would mean direct power, commensurate with population size. No longer would unelected Brussellian bureaucrats have the political whipping hand, no longer would Europe remain as opaquely undemocratic."⁷

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