

The Geopolitics of Europe. From the Atlantic to the Urals.

3- Since 2005, Europe in Doubt

jeudi 24 novembre 2016, par [Gérard-François DUMONT](#), [Pierre VERLUISE](#)

Citer cet article / To cite this version :

[Gérard-François DUMONT](#), [Pierre VERLUISE](#), **3- Since 2005, Europe in Doubt**,
Diploweb.com : la revue géopolitique, 24 novembre 2016.

Hum... Vous semblez apprécier le DIPLOWEB.COM. Nous vous en remercions et vous invitons à participer à sa construction.

Le DIPLOWEB.COM est LE media géopolitique indépendant en accès gratuit, fondé en l'an 2000. Nous vous proposons de participer concrètement à cette réalisation francophone de qualité, lu dans 190 pays. Comment faire ? Nous vous invitons à verser un "pourboire" (tip) à votre convenance via le site <https://fr.tipeee.com/diploweb> . Vous pouvez aussi rédiger un chèque à l'ordre du DIPLOWEB.COM et l'adresser à Diploweb.com, Pierre Verluise, 1 avenue Lamartine, 94300, Vincennes, France. Ou bien encore faire un virement bancaire en demandant un RIB à l'adresse expertise.geopolitique@gmail.com.

Avec 5 000€ par mois, nous pouvons couvrir nos principaux frais de fonctionnement et dégager le temps nécessaire à nos principaux responsables pour qu'ils continuent à travailler sur le DIPLOWEB.COM.

Avec 8 000€ par mois, nous pouvons lancer de nouveaux projets (contenus, événements), voire l'optimisation de la maquette du site web du DIPLOWEB.COM.

Gérard-François Dumont, Pierre Verluise, The Geopolitics of Europe. From the Atlantic to the Urals ,(translation Alan Fell), Diploweb.com 2016-2017. ISBN : 979-10-92676-09-9.

To some extent, the construction of the European community has always been beset by doubts and crises. There is no need to go back as far as the empty chair crisis (1965-1966) ; 2003 was an emblematic year. Using fallacious pretexts, the US knowingly split the NATO and EU candidate and member countries over the issue of support for US strategy in Iraq. France and Germany found themselves isolated in their attempt to stay level-headed. This led French President, Jacques Chirac, to declare on February 17 2003 on the subject of EU candidates wishing to align their policy on Washington : “[...] it is not very responsible behaviour. In any case, it is childish. They missed a good opportunity to shut up.” An outburst that remained lodged in the memories of Baltic and central and Eastern European nations for some time afterwards. This posterity was mirrored in France by the enduring depiction of the then foreign minister, Dominique de Villepin, in the comic book *Quai d’Orsay* by Christophe Blain and Abel Lanzac (nom de plume of diplomat Antonin Baudry), a behind-the-scenes look at French foreign affairs published by Dargaud in 2010 and 2011, and then made into an eponymous film in 2013 by director Bertrand Tavernier.

The year 2005 was marked by a relatively clean break, and it is legitimate to wonder whether, coming on the heels of a major enlargement, this was the start of a downturn in European optimism.

I. 2005-2007 : from the thunderbolt “no” to the relaunch of the institutional process

After the projected Constitutional Treaty was stopped dead in its tracks, why is it that a largely similar text was adopted just a few years later ?

2005 : the French and Dutch block the process to adopt the proposed treaty for a European Constitution

Declaration 23 annexed to the Treaty of Nice, ratified on February 26 2001, provides for a Conference for a “deeper and wider debate about the future of the EU.” On December 14 and 15 2001, the European Council at Laeken called a Convention the outcome of which was to be a Constitution for European citizens, just as the Philadelphia Convention had yielded the American Constitution in 1787. Working by consensus, from February 28 2002 to July 18 2003, the Convention wrote the first draught of a Constitution for the enlarged Europe. On October 4 2003 an inter-governmental Conference set about the arduous task of amending and finalizing the June 18 2004 version of the text. The Treaty establishing a Constitution for Europe was signed by the heads of state or government on October 29 2004. It then had to be ratified by all the Member states according to their constitutional rules.

On July 14 2004, the French President, Jacques Chirac, on the back of opinion polls indicating a comfortable majority of “yes” votes, took the gamble of announcing a referendum on the draught constitutional treaty. Another option would have been to seek ratification by the Assemblies united in a Congress, thereby preferring representative to direct democracy. The 1992 referendum on the issue of the Maastricht Treaty had already shown how quickly a lead could collapse. European issues do indeed have a habit of splitting opinion across party lines, as much on the right as on the left. The draught Treaty, long and abstruse, was off-putting for even the most diligent members of a French electorate that received through the post a document in small print on Bible-thin paper. While partisans of the “Yes” vote dallied instead of throwing themselves body and soul into the campaign, opponents were particularly dynamic and pugnacious, notably on the Internet. Early in 2005, a map of the Web produced for Touteurope.fr showed that Web sites and blogs proffering negative explanations and arguments were already in a majority. Virtual space is a global leveller : a secondary school teacher claiming to be an “expert” on the draught treaty and denouncing the risks of federalism or the free market weighed as much as, if not more than — because more easily identified — a “pro-yes” professor of constitutional law or a European Member of Parliament. The TV broadcast by the French President appeared clumsy, especially when he gave the impression of suddenly discovering unemployment among the young... With a turnout of nearly 70%, the referendum on May 29 2005 delivered a clear 54.7% majority of “no” votes. France, a founder member of the European community had just slammed the brakes on the European process.

There were many reasons. The referendum may first have been a way of answering a question that had not been asked a year earlier : “Are you in favour of an enlargement of the EU ?” It was at this time that commentators began to talk about “enlargement fatigue” in some of the senior EU countries. On the domestic front, the vote may also have been a way of indicating a degree of lassitude towards Jacques Chirac, president since 1995.

The blow delivered by France was emulated three days later on June 1 2005 when a second EEC founder country, the Netherlands, returned a 61.6% vote against the treaty in a consultative referendum. The two referenda placed a big question mark against the wisdom of pursuing a ratification process on the European scale. They suggested that public opinion doubted or was only mildly enthusiastic about the European building process. So what happened next ?

The EU entered a “light coma”

French journalist Jean Quatremer had a box seat from which to observe events, having been covering European affairs for French daily *Libération* since September 1990. When he spoke to *Diploweb.com* in the autumn of 2005 he was able to draw on fifteen years of contacts in the corridors of power at Brussels :

“Since May 29 2005, date on which the French rejected the draught constitutional treaty, followed three days later by the “no” vote in the Netherlands, the EU has been in a coma. [...] In Brussels, the nerve centre of European institutions, the French and Dutch referenda were interpreted as a rejection, not only of the text under scrutiny, deemed, rightly or wrongly unsatisfactory, but of the “masters of Europe as a whole” : governments, Commission, European Parliament. All were stunned and have still not found the way to bounce back,

assuming, that is, that such a way exists ; and that is quite a big assumption. [...]
What matters are not so much the reasons for the vote as what it means. When we try to explain to our European partners that the French referendum should be seen as a rejection of a certain Europe, a sanction by the pro-European left, their answer goes something like this : “Are you joking ? From the far right to the far left, a majority of French voters said ‘no’ and the pro-European section of the vote, assuming it exists, is very much a minority”. Moreover, opinion polls (even if they should be viewed with the greatest circumspection) show a real surge of euroscepticism : the percentage of French people who felt that their country has benefitted from the building of Europe is smaller than in the UK ... [...]

The organisation *Attac*, in particular, that has distinguished itself by its virulence, verging often on xenophobia, has scrupulously kept itself apart from the Constitution drafting process, almost certainly in order to subsequently reject it. Today [November 2005], it is nowhere to be seen. Through irresponsibility or political cynicism, the leaders of “the left-wing no” have left behind them a Europe in ruins. It is my belief that we have entered a new historic cycle, for better or for worse, more likely the latter. [...]

The “Franco-German couple” that originally pushed the idea of a constitution, has lost its legitimacy in the eyes of its partners and will only regain it, at best, after the French elections in 2007. However, within the couple, France is the defaulting party for failing to get its people to ratify a treaty negotiated by its government. [...] Since May 29 2005, the Germans have no longer felt duty-bound to France, especially since the departure of Chancellor Schröder : the French having been at fault, it is now down to them to clarify what they want in Europe and for Europe. [...]

Not everyone has lost out in the operation. The partisans of a vaguely organised free trade zone have come out stronger : the British Presidency of the UE in the second half of 2005, characterized by an unprecedented lack of activity, has made the most of it. The Commission resembles the new Europe for which the “no voters” have sadly cleared the path : it is pro-free trade and deregulation. The “relaunch” proposed in September 2005 by the Commission under the Presidency of José Manuel Durao Barroso thus had nothing whatsoever to do with the idea of a constitution : the Commission announced that it would now be legislating less to avoid inconveniencing the general public and would withdraw directives judged incompatible with the need for businesses to be competitive [...]

The EU will remain in this light coma until at least 2007, date of the [French presidential elections] that will at least enable some political clarification.”

Despite the institutional roadblocks, the “European bicycle” maintained enough momentum to continue on one point. On October 3 2005 it was decided to open negotiations on EU membership for Turkey : the Council adopted a negotiation framework, followed by the official opening of negotiations. This was the cue for the community’s analytical examination (or “screening of *acquis*”) process to determine how far Turkey complied with the accession criteria. On June 1 2006, Chapter 25 (Science and Research) was considered closed (accepted), a measure that appeared to throw down a political gauntlet. Yet, there were already tensions between the EU and Ankara. On December 1 2006, Turkey had not yet applied to Cyprus the Additional Protocol to the Ankara Agreement ; and the Council decided against opening eight chapters. In other words, Turkey’s ongoing occupation of the north of Cyprus quickly blocked negotiations on Turkish accession to the EU.

2007 : Franco-German “relaunch” soon led to the Treaty of Lisbon

The year 2007 saw an apparent revival of the European construction process, firstly with the accession of Romania and Bulgaria, then with a new institutional compromise.

On January 1 2007, in a strange climate of indifference, Bulgaria and Romania became the 26th and 27th member states of the EU. This was the sixth enlargement. Available seven weeks before their accession, the Corruption Perceptions Index, defined and published by the organisation *Transparency International*, awarded a score of 3.1 out of 10 for Romania and 4 for Bulgaria, i.e. significantly below the world average (5), not to mention Finland (9.6) ! In 2007, according to Eurostat, Bulgaria and Romania’s GDP in purchasing power parity per capita (UE-27=100) was respectively 40 and 42, i.e. light years from the average of the member countries (100), and even further from Luxembourg’s record of 275 !

When it comes to adopting the *acquis communautaire* there is still a gulf between theory and reality, and, on these grounds, this accession could have been deferred, had this not meant paying a heavy political price, given that both countries had already been rejected by the EU on May 1 2004, despite already being members of NATO. The EU had the possibility of backstabbing both governments by applying controls on the most sensitive issues, namely rule of law and corruption. Yet, the post-accession years brought scandal after scandal as organised crime prospered, notably by making hay with European funds.

Finally, 2007 saw the completion of the lengthy treaty revision process that had been ongoing since the mid-1990s. Much energy and political credit had been pulverised by the French and Dutch “no” votes in 2005. With a Presidential election due in France, there seemed to be an opportunity to revive the institutional process. On January 26 2007, the eighteen countries that had voted “yes” to the Constitutional Treaty met in Madrid, without France and the Netherlands. During the French electoral campaign, the candidate Nicolas Sarkozy announced that, if elected, he would use the Congressional route to ratify a “simplified treaty”. When he duly took up his functions on May 16 2007 he paid a visit, that very evening, to the German Chancellor, Angela Merkel, whose country at that time held the six-monthly Presidency of the EU. A consensus emerged to symbolically abandon the draught constitutional treaty and open negotiations on an amended version. A political agreement was signed on June 23 2007 at the European Council meeting in Brussels giving a mandate for a new intergovernmental conference to draught a new treaty as quickly as possible. This provided an opportunity to amputate a few articles considered too federalist, notably by the United Kingdom. The term “Constitution” and the EU symbols were dropped. The position of “European Foreign Affairs Minister” was abandoned in favour of “High Representative of the Union for Foreign Affairs and Security Policy” — a title so hard to remember that it did little to enhance EU communication. Apart from these symbolic details, the nub of the provisions of the treaty to establish a Constitution for Europe reappeared in an amended treaty that was in no way “simplified”. The European heads of state or governments signed it on December 13 2007 in the Portuguese capital, and it became known as the Lisbon Treaty. This time, as far as possible, the member states avoided the referendum path to ratification, including France, which took the parliamentary route. Paris became the third capital to deposit its ratification instrument on February 14 2008. Only Ireland held a referendum on July 12 2008 resulting in a 53.4% “no” vote, necessitating a second referendum on October 2 2009. This time 67.13% came out in favour. Thus, as for the Treaty of Nice, the Irish had to vote twice before doing

what they were supposed to.

The Lisbon Treaty was phased in as from December 1 2009. Unlike the previous treaties signed by the E.U.'s member states it was to be implemented over a ten-year period. This therefore meant a lengthy intermediary phase on the institutional level before the treaty could take its final form, with the apportionment of competency being very uncertain until stability could be achieved. Since December 1 2009, the use of the epithet "community" to distinguish that part of Europe from geographical Europe was proscribed, as the "Community" was now to be a "Union". It remained however acceptable to refer to the "community method", distinguished from "intergovernmental cooperation" by a number of principles : the Commission had the monopoly when it came to formulating proposals ; qualified majority voting was required in the Council on some issues ; and the tendency was to involve the European Parliament in decision making.

Ignoring these semantic subtleties, the effects of the economic crisis were biting deeper.

II. Since 2008, the crisis has bitten deeper...

Forgery, confidence tricks, fraud and abuse of vulnerable persons were the starting point for the collapse of the housing bubble that hit the USA in 2007, snowballing into the credit crisis of 2008. Its economic and political impacts revealed the inadequacies of EU member countries.

Economic impacts...

The EU's economy was already far from homogeneous, and the 2004 and 2007 enlargements made it even less so. The GDP per capita in purchasing power standards of the twelve new member countries fell below the EU average, dragging the latter down by 11%. The enlargements also increased the wealth gap between the EU and the USA. The inclusion of countries with workforce productivity still way below the EU average could only contribute to making the zone still less competitive. Finally, economic governance continued to vary from country to country, each trying to hold on to its habits, good or bad.

The financial crisis that started in the USA at the end of 2007 sent cracks racing through the financial systems as from 2008, before biting the real economy. In 2008, the real GDP volume growth rate of the EU fell to 0.4%. By 2009 the figure was down to -4.5%. The slide was almost twice as pronounced as in the US. In 2010, 2011, 2012 and 2013, the EU failed to truly revive economic growth, as testified by these respective estimated results : 2.0% ; 1.6% ; -0.4% and 0.1%. Here again, we are talking about averages, suggesting that some member countries were experiencing even greater difficulty. Meanwhile, for a few years, so-called "emerging" countries were publishing results that were often far better, before their performance started to level off again.

The crisis in the real economy was soon reflected by an increase in the number of unemployed. Across the EU, according to Eurostat data, unemployment rises regularly : 7.6% of the active population in 2008 ; 8.9% (2009) ; 9.6% (2010) ; 9.8% (2011) ; 10.5% (2012) ; 9.9% in October 2014. The picture varies greatly from country to country, from Austria with 4.9% unemployed

in January 2014 to Greece with the record (28%). To these geographical differences can be added generational differences : the young are generally worse hit, a situation that at last drew a response from the European Council in June 2013. "Europe is in danger of having a lost generation", declared Pier Carlo Padoan, Italian Minister of Finance (*Le Monde*, December 14 2014). Spanish film-maker Jaime Rosales made a bold statement in a feature entitled *Beautiful Youth* depicting the crisis that is ravaging the EU.

After being forced to bail out the banks, the European States had to contribute to reducing the effects of rising unemployment despite diminishing income from taxation. This led to a manifestly problematic explosion of public debt. The pact of stability demanded that public debt, defined in the Treaty of Maastricht as total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government, was to be kept below 60% of GDP. Yet the public debt in most of the longest-serving member States was way above this threshold. The 2012 figures for consolidated public debt as a % of GDP looked like this for six of the worst strugglers, from the highest downwards : Greece (156.9%), Italy (127%), Portugal (124.1%), Ireland (117.4%), Belgium (99.8%) and France (90.2%). Even Germany, regularly upheld as exemplary, did not abide by the Maastricht criterion, with public debt attaining 81% of PIB. Only 14 EU countries were actually holding to the Maastricht criterion at this time, though not all were in the eurozone.

It should however be noted that, in spite of the economic crisis, most of the countries to have joined the EU since 2004 were managing to close the gap in GDP in purchasing power parity per capita. They owed this firstly to the work they were doing, but also to European funding that brought financial aid, welcome in times of duress.

Nonetheless, the significant new affluence of some of the new member States - including Poland - was no longer enough to limit the damage to the EU's economic image. This was causing concern for the market and other economic powers, pushing the institutions and European governments to take measures.

... and political impacts

The economic crisis made considerable inroads into the "permissive consensus" enjoyed for a long time by the European construction process. The European Community had indeed been built in the aftermath of World War II, skirting around political debate to avoid nationalist tendencies, in the generally positive context of the post-war boom years, the *Trente Glorieuses*. For political leaders European construction had more than ever become a practical means of externalizing economic and even political constraint. It had become convenient to claim : "It's not me that's enforcing this. It's Brussels !" A device that the new members have since learned from their seniors.

The financial crisis also accentuated a dynamic that was already developing in the power play between France and Germany. The German Chancellor, Angela Merkel, gained the upper hand over the French President, Nicolas Sarkozy. Berlin set the tempo and decided the scope of the measures undertaken to stem the explosion of public debt. The 2012 intergovernmental treaties dictated the response to the euro crisis : these were the treaty introducing the Mechanism for European Stability (MES) and the Treaty on the Stability Coordination and

Governance in the Economic and Monetary Union (TSCG). Signed on February 2 2012 by 27 member States, the MES entered force on September 27 2012. Signed on March 2 2012 by 25 member States (excluding the UK and the Czech Republic), the TSCG entered force on January 1 2013. The treaty implemented an intergovernmental solution to improve the coordination of budgetary policies, thus introducing an obligation to budgetary discipline. As from 2013, the European Commission (appointed and not elected) was authorised to give its opinion on the 2014 draught budget of the member countries before the latter's own Parliament was consulted. In other words, the economic crisis has led to another change in the nature of the EU. Under the cover of emergency, the EU has shifted from monetary federalism - via the eurozone - to the premises of budgetary federalism and a tighter coordination of economic policy. All this has been backed by the threat of financial sanctions against countries failing to comply with the Commission's *desiderata*.

It is in this climate that political parties advocating a lesser involvement in the EU, an exit from the euro and even from the EU, appear to have the wind in their sails, notably in Greece, the Netherlands, the UK and France. An exit from the EU is presented as the best way for a country to retake control of its own destiny, counter the effects of the crisis, and absorb unemployment. Predators make themselves popular by demanding the return of customs barriers, preference for the employment of nationals, reinforced immigration control and the reallocation of funds from EU to domestic use.

All of this points to a breakthrough for populism of a rhetorical rather than ideological nature, cutting across domestic political divides and traditional politics. The right-wing flavour of populism is xenophobic, while on both left and right it is protectionist. Both are nationalistic, anti-European and anti-globalisation. They lambast the political class and the elite, expressing both suffering and a sort of inverted utopia in which fear has taken the place of hope. It has to be said that the EU is primarily a historical construction by elites.

Populism has been fed since 2008 by the excessively technical bias of the policies announced in an attempt to address the economic crisis. The elite's solution to the crisis is presented as the only choice, with no political deliberation in a context of media-hyped dramatisation of the European Council, while budgetary restraint is enforced at the risk of suffocating economic growth. Renegade members run the risk of sanctions.

Populism enjoys the advantage of suggesting the existence of simple solutions to complex problems. It denies that a country's — real — economic difficulties primarily have their origin in the country itself. In this sense it is a sort of compensatory magical thinking.

After several decades of making Brussels the scapegoat for austerity, it is scarcely surprising that the EU is perceived as the origin of all evils.

Is the European Parliament “badly elected” ?

Between 1979 and 2009, without exception, the seven European Parliamentary elections were characterised by a gradual rise in abstention from 38.01% of registered voters in 1979 to

56.92% in 2009. It should however be noted that in the space of three decades, the European Parliament has evolved from the status of a purely consultative body to that of a key co-legislative institution. At the same time, the number of voting countries has risen, but the downward trend at the urns has continued, thus weakening the political basis of the project.

When was the tipping point ?

While the overall trend is clear enough, there was nonetheless a tipping point. Contrary to received wisdom, this did not occur in 2004, after the enlargement to ten new countries, but dates back to 1999, with the election that followed the 1995 accession of Sweden, Austria and Finland. The turnout in 1999 was down by 7.16% compared with the 1994 election. Austria and Finland were able to join as a result of the end of the Cold War (1990) and the implosion of the Soviet Union (1991) that would not have tolerated their accession to the European Community. In 1999, voting in the two countries was to different degrees lower than in the other Community countries.

In other words, it is inaccurate to lay the blame for the rise in abstention at European Parliamentary elections on 2004 and 2007. It is however true that the trend dates back to the 1980s and that the post-Cold War geopolitical reconfiguration accelerated the process via the 1995, 2004 and 2007 enlargements.

Less than half of Europe's citizens turn out for the European Parliamentary election

It is important to note that, as from 1999, successive European Parliamentary elections have distinguished themselves by a lower than 50% turnout. In other words more than half the electorate has voted with its feet. In June 2009, participation fell to 43.08% of registered voters, down by 2.39% from 2004, legitimating the claim by the Touteurope.fr Web site that : "[...] this is the worst elected Parliament since the first MEPs were designated by direct universal suffrage". At the 2009 elections, two thirds of the new Member States recorded turnouts below the EU average, including the six lowest scores : Slovenia (28.2%) ; Czech Republic (28.2%) ; Romania (27.7%) ; Poland (24.5%) ; Lithuania (21.0%) and Slovakia (19.6%).

The May 2014 European Parliamentary election put a halt to the downward trend with a turnout of 43.09%, i.e. an abstention rate of 56.91%. In other words, the European Parliament elected in 2014 is the fourth in a row to have been elected since 1999 by less than half of the registered voters, but for the first time since 1979, without a rise in abstention.

The election was nonetheless marked by a breakthrough for the Eurosceptic, and even Europhobic parties, notably in the UK, Denmark, France and Italy.

III. ... and cast a shadow over the eurozone enlargements

Weakened by the crisis, the euro has lost its sheen and finds itself on the horns of several

dilemmas.

Sorry, why did you say we needed the euro ?

The sovereign debt crisis in the eurozone betrayed a real lack of trust between the members of the zone and the growing shortage of credibility enjoyed by the States and community institutions in the public eye.

The euro had not delivered the promised convergence of the zone's economies, in fact engendering perverse effects by enabling the member States to pursue divergent structural and budgetary policies, some taking advantage of the protection afforded by the euro to over-indebt themselves. Consequently, the euro revealed structural divergences between the zone's two main economic blocs : the North and the South. For example, the financial markets' concern about Spain and Greece was reflected by higher rates for the funding of their public debt.

While the eurozone crisis had economic dimensions, the roots were mainly political. Until these have been addressed in a way that re-establishes the credibility of the members States' policies, the litany of economic gadgets will simply add noise to confusion. The bottom line is that, collectively, the participants in the eurozone still do not know why they made the economic and monetary Union... and this is undoubtedly why, since 2005, they have stopped complying with the 1997 rulings (pact of stability and growth). In these conditions, the ensuing crisis in the eurozone was predictable.

Consultant for a French institution, Patrick Allard adds :

“The eurozone nations still face an existential challenge : how can they restructure the pact that binds them to the common currency in a way that is realistic and complies with the method used for the construction of Europe, namely the avoidance of federalism ?”

Towards a 25-strong eurozone ?

On January 1 2015, Lithuania became the nineteenth member of the eurozone. Thus the three former Baltic Soviet Republics are now members. With the exception of the UK and Denmark, who each have an opt-out clause, and Sweden, who refused to adopt the euro by referendum in 2003, all the EU member states have undertaken by treaty to join the eurozone, including six within a reasonably near future : Poland, Czech Republic, Hungary, Romania and Bulgaria, as well as Croatia, which joined the EU on July 1 2013. Enlargement is thus squarely on the agenda ... the only problem being an apparent lack of enthusiasm on the part of the countries concerned ! The dates we hear spoken about often lie beyond 2016. Even though these countries are taking their time, while observing how the crisis will unfold, the monetary project remains attractive for the Central and Eastern European nations as, for them, it holds the promise of greater credibility.

They probably under-estimate the price they will have to pay. The adoption of the euro is not just a political choice ; there are innumerable economic consequences. The elimination of risk related to the exchange rate should not cloud the fact that the adoption of the single currency

also means forgoing an independent monetary policy and the option to devalue. Macroeconomic disparities, like differences in levels of indebtedness and competitiveness, can only be corrected by internal devaluation that carries a particularly high social and political cost, as testified by the examples of Spain and Ireland. The eurozone is not, however, an optimal monetary zone ; asymmetrical shocks are scarcely offset by flows of capital or labour : adjustments, as testified by examples that have occurred outside the eurozone and indeed across the Atlantic, namely Sweden and Canada, have been achieved by better governance improving the use of public funds, limiting public debt, dynamising foreign trade and innovation and lowering production-related costs, thereby reducing the tax burden that hampers employment, and reforming social welfare systems. What we are witnessing instead is a reduction of salaries and other income, escalating unemployment, and consequently reduced purchasing power. Furthermore, because of the coordination of the budgetary policies of the eurozone member States, a monetary project comes with a political project, even though the European Central Bank (ECB) can hardly take account of the specific characteristics of each struggling economy.

In this context, enlarging the eurozone weakens it by reducing the probability of the implementation of a veritable political policy based on mechanisms to foster solidarity or a body of standards. For the new economies, the most peripheral and least integrated, this would increase the exposure to asymmetrical shocks and drag the euro back into the storm zone.

Towards institutional divorce ?

Philippe Condé and Frédéric Lecoer posted this analysis of the eurozone dilemma on the *Diploweb.com* Web site :

“Europe is faced by the need to choose between two political projects. The first is that of the Common Market. Its vocation is to open frontiers and encourage trade. The projected free trade treaty between the USA and Europe is a new example. The Cotonou agreement (June 23 2000), with the countries in Africa, the Caribbean and the Pacific, is another. The project seeks to strike a balance between an internal economic union and an external free-exchange zone, but, *a priori* is not duty-bound to lie within predefined frontiers. The second project is the eurozone. Initially purely economic, it aims to integrate the different financial systems and coordinate monetary policies. Yet the project needs internal regulation mechanisms to withstand the centripetal effects of integration and counter the resulting imbalances. Without a political project, the eurozone is unstable. With geographical extension making consensus on a political project even more improbable, the eurozone project will necessarily lie within a set of frontiers.

The problem is that the two projects are not distinct, as both are controlled by the EU. Well aware of this, the UK has brandished the threat of a referendum : leaving aside the internal political issues, this decision nonetheless raises the question of how the two projects fit together. For example, the UK is an EU member, but does not directly take part in the eurozone member states Banking Union project, even though it is liable to be hit by fallout from it ; notably as regards its own financial and banking system. So what position should the UK occupy in the framework of the Banking Union ? Should it simply be consulted, like Switzerland — not an EU member — or should it be fully associated with the project, as an EU member ? In other words, should eurozone projects be necessarily pursued with all EU

members, taking into account all their interests ; or should we be envisaging an institutional divorce in favour of reinforced cooperation projects for which the other member States are simply consulted, on a par with other European countries like Norway or Switzerland ?

The project to tax financial transactions, within frontiers that do not match those of the two above-mentioned projects, raises questions about the risk of fragmenting the European ideal. A two-speed Europe, a Europe pursuing two projects, perhaps, but most certainly a Europe with a thousand projects and a thousand ideals, is itself, a major political problem.

The idea has been mooted of creating a commission dedicated to the eurozone within the European Parliament. Yet MEPs are supposed to represent European citizens regardless of national distinctions. So how do you legitimate the existence of an entity in which only the eurozone countries are represented ? This sort of partitioning of a democratic institution would be a *de facto* death knell for European unity.

Maybe it would be better to move towards an institutional divorce between the common market project and that of economic, monetary and political integration. The former could stretch to Turkey and the Balkans and maintain close relations with the US and Norway, whereas the latter could focus on deeper economic and political bonding. However, the second project can only have a chance of completely succeeding if it enjoys the unconditional support of all the participating states, especially those who, by virtue of their stature and history, might act as leaders, namely France and Germany. The current and foreseeable macroeconomic disparities between these two countries are factors of divergence when it comes to defining a joint strategy and are an obstacle to greater solidarity. For example, in the long term, demographic trends differ between the two countries. The German population is ageing and will need to encourage immigration and have a stable currency with which to secure pension payments, while this is not necessarily the case in France.

This institutional separation would nonetheless put an end to the confusion about whether the EU member states are expected to, one day, join the eurozone. Stripped of this ongoing uncertainty about borders and, working on the principle that you need a small team to build a top-down project, the eurozone could become the true continental European project.”

One of the collateral effects of the May 2014 European Parliamentary election has been to place the deepening of the eurozone on the European Council agenda, alongside three other major areas : growth and employment ; energy and climate change ; diplomacy and common defence. Whatever the outcome, the convalescence of the eurozone is likely to be a long drawn-out process, hamstrung by atonic economic growth and household consumption.

Over and above the questions about the enlargement of the eurozone, it is the whole of the EU enlargement process that is undermined by political doubt, amplified by the economic crisis. The fact that Brussels does a good impression of a bulldozer advancing inexorably without addressing the questions that preoccupy the man in the street does not help. Quite the contrary.

*

So was 2005 a turning point for European optimism ? The institutional difficulties, the European Council's March 2005 U-turn on the stability pact, the headlong rush into opening negotiations with a country whose nationalism is barely compatible with the EU's supra-nationality, followed by economic crisis, have all created a sense of uncertainty. The EU prided itself on being a model of harmonious regional integration... but, in the eye of the storm, it is seen by many European citizens as ill-adapted. Worse, the EU is a source of concern among the world's geopolitical big hitters for its incapacity to decide and enforce the necessary efforts to rebound. According to P.C. Padoan, the Italian Minister of Finance, in 2014, the European Union "is characterised by three criteria : recession, fragmentation and lack of trust between States. French journalist Arnaud Le Parmentier even wrote of a "European suicide" (*Le Monde*, October 30). Even the EU's trademark multilateralism finds itself shaken by the return of the major powers, for example on climate change.

The ultimate geopolitical consequences of the different facets of the crisis that began between 2005 and 2008 are anybody's guess, but what is sure is that the EU is now a different animal. Once again, we might add that historical perspective shows that the European construction process has from the outset been subject to vicissitudes and has never ceased to change, if only through the accession of new members.

2 - Europe from Division to Reunification (1947-2004). The Story and the Sub-text

4 - The European Union, an Original Multipolar system

Manuscrit clos en 2015.

G rard-Fran ois Dumont, Pierre Verluise, « The Geopolitics of Europe. From the Atlantic to the Urals », (translation Alan Fell), Diploweb.com 2016-2017. ISBN : 979-10-92676-09-9.



Copyright 2016-2017-Dumont-Verluise/Diploweb.

P.-S.

G rard-Fran ois Dumont, Professor at Paris-Sorbonne University ; Pierre Verluise, Director of Diploweb.com.