The year 2009 was again a turbulent one for the European Union (EU). On the one hand the Lisbon Treaty was finally implemented after it had been ratified by all of the 27 member states. Thus the Union completed an ongoing reform process after almost 10 years. On the other hand Europe was hit hard by the global financial and economic crisis, which led into a new discussion about the EU’s capability to act under such circumstances. The current debate about alternative options to assist Greece, the member state that is actually most affected by the crisis, and new forms of economic governance in the Euro-zone are just two examples thereof. So it seems as if the EU is about to target restlessly the next reform step which will focus on deeper integration and that should be driven by the idea of differentiation, i.e. more economic coordination and cooperation by those member states that are willing and able to do so.

The 2009 Elections

Despite the ratification process of the Lisbon Treaty and the financial crisis European politics also had their business-as-usual events, for instance the parliamentary elections early in June. Since the first direct election of the European Parliament (EP) in 1979, European elections have always been regarded as subordinate to national elections.1 There are three key aspects in this respect: Firstly, many voters misused the EP elections as a possibility to penalise ruling national parties and politicians. The large increase in mandates for right-wing populist parties as in Austria, Hungary or the Netherlands is evidence thereof. Secondly, Europe is not a priority for most of the citizens and the campaigns are still dominated by national instead of European issues. Although almost all parties successively adopted a Europeanized approach by presenting common front-runners or joint rudimentary election manifestos. National or even regional politics are perceived as essentially more important than far-off Brussels. The third aspect is the effect of one’s vote. While in national elections a definite constituency has a relatively high control over the government’s composition, the EU the Commission and especially its president are chosen by the European Council and not by parliamentarians.

After the dramatically low turnout of only 45.5% of the electorate in 2004, the turnout fell again to 42.1% in 2009. Last year’s elections resulted, even though otherwise predicted, in a quite stable number of mandates for conservative parties. Socialist and social democratic parties on the other hand lost about 20% of their seats. The two right-wing party-groups – European Conservatives and Reformists and the Independence-Democracy group – together gained 86 seats, 18 more than 2004. On the centre-left and left spectrum only the Greens won additional seats, while the Group of the European Left/Nordic Green Left lost nine seats.2 So the EP will again have a centre-right majority and additionally a substantial increase in far-right members. Hence from the voters’ perspective a solid economic and financial policy as a means to overcome the recent crisis has been given priority over social issues.

Nevertheless the low turnout reveals that the EU is still out of balance and that Europe needs to be brought closer to the citizens. Democratic participation has to be strengthened and an ample discourse about the Union’s legitimacy is urgently needed. One important step on that account is the election of the president of the Commission by the EP based on the election outcome as stipulated in the Lisbon treaty. Thus, the next head of the Commission will be chosen by the parliament out of the winning party family and although she or he will again be nominated by the European Council, the voters have gained influence on this personnel decision.

The Lisbon Treaty

Since the early days of integration, Europe has constantly deepened and widened the scope of integration. The EU now has the world’s largest internal market, the Euro as robust common currency, a high level of legal and social protection for its citizens, and the Union is a central player in global politics. Yet, besides all accomplishments political agency and supranational legitimacy have unfortunately not been implemented as central categories in the EU’s existence. Under the banner of the
‘Méthode Monnet’, European integration was a stop and go process, driven by contingency more than by strategy. The Single Market, the Monetary Union, environmental and security policies have all more or less been Europeanized lacking a systematic approach (Gasteyger, 2005; Judt, 2006; Weidenfeld, 2008).

None of the reforms since Maastricht in 1992 has been able to prepare the EU for the combined challenge of enlargement and the new global environment. The treaties constituted a patchwork where the functional differentiation of competences between the member states and the EU as well as within the Union’s three pillars where re-arranged at haphazard. Hence the EU politiy resembled a hotchpotch without any obvious structure and was prone to frazzle as enlargement and deepening were taking place. Neither the institutional set-up nor the modes of decision-making could cope with what happened in reality.

The ‘Constitution’, the Treaty establishing a Constitution for Europe, which intended to introduce the necessary amendments for the EU as political entity in the 21st century, failed with the negative referenda in France and the Netherlands. Moreover, also the Lisbon treaty as a more pragmatic and less ambitious reform contract stood on the brink, as the Irish at first said ‘No’ and the Czech president Václav Klaus refused to give his signature (German Foreign Office, 2008; Hoffmann, 2008; Weidenfeld, 2008). Even as the Lisbon treaty could finally be set into force in December 2009, the “permissive consensus” (Lindberg, 1997) of Europe’s citizens can no longer be taken for granted. Despite all obstacles there was no alternative to the Lisbon or any akin treaty because without the now implemented reforms the EU would have been confronted with stagnation or even disintegration.

The reasons why citizens and parts of the political elites obstructed the treaty ratification are various: The Irish, for instance, where afraid about a loss in national sovereignty, disadvantages for their economy due to tax harmonisations, and constraints in regard to their neutrality. None of these issues where actually endangered by the Lisbon treaty and hence after several constrictions had been amended, the second referendum in Ireland cleared the way for ratification. The German Bundesverfassungsgericht, the Federal Constitutional Court, ruled against the national law that was needed to implement the treaty reforms, but attested the treaty itself legality. In Poland and the Czech Republic a few Euroskeptics, especially the two presidents Lech Kaczyński and Václav Klaus respectively, delayed the process of ratification. The British Conservatives planned to hold a referendum on the treaty even though the ruling Labour-led government had already ratified the treaty without public deliberation. Hence the positive result of the second Irish referendum is to be seen as ‘door opener’ due to the fact that subsequently resistance in other member states started to fade.

The main amendments of Lisbon are the expansion of majority decisions in the council, the introduction of a ‘double majority’ voting system, a strengthening of the Common Foreign and Security Policy, a more distinct separation of competences between the Union and the member states, an empowerment of the EP, the incorporation of the Charter of Fundamental Rights of the European Union into the acquis communautaire, a European citizens’ initiative, and adjustments to the instruments of flexible integration (Brady, 2007). Over and above the reform treaty allows for several on-the-fly adjustments of decision-making procedures without the need for arduous intergovernmental conferences. The most evident improvement are two new ‘faces’ – the permanent president of the European Council who will be elected for two and a half years and the High Representative of the Union for Foreign Affairs and Security Policy who will be in charge of a more coherent external policy. Both jobs, possessed by Herman van Rompuy and Catherine Ashton, may provide the Union with more stringency and accountability.

Although the reform treaty was necessary and its ratification is must be considered a success, the Achilles’ heel of a lack of transparency remains. The acquis communautaire is still a plethoric and inaccessible document and as such ill-suited to justify deeper integration to Europe’s citizens. Contrary to the nation state European integration needs to be legitimized and the EU has to be exculpated as a political actor with autonomous competences. Europe’s citizens are awaiting an elucidation, a founding narrative, what the integration process is good for. Why is Europe important for us and what can it offer for the future? Yet, these institutional as well as political questions that seem to have been part and parcel of the European integration process since its beginning, were not the only challenges Europe had to face in 2009.

"The crisis both presents the need of and the chance for deepening financial and monetary integration and thus a concise European economic model"

Global crisis

Warning signals about a crash of the US subprime market went unheard. Even when the crisis had set in, nobody could predict the extraordinary impact on the real economy. The collapse of Lehman Brothers in 2008 is therefore a symbol for the demise of the Anglo-Saxon laissez-faire approach to markets that was for a long time perceived superior compared to other models. Today it seems as if the end of the crisis is near, but European economies will have to face additional headwinds. So under these circumstances the EU firstly has to further develop its own idea of markets in a globalized world and secondly establish a common framework and joint regulations for more transparency and stability in global eco-
omics together with other major actors, such as China, Russia, and the US.

The reason for the global crunch was not least the paradigm of unrestrained liberalisation and deregulation. As a consequence of the free activity of market forces a complex system of new financial instruments could evolve that could no longer be controlled by governmental actors (Dieter, 2008). While in the beginning the crisis affected banks in particular, the negative effects on other economic sectors unfolded dramatically during the last year. In January 2009 the Commission predicted a decrease in gross domestic product (GDP) by 1.8% and only a marginal growth rate of 0.4% for 2010 in the EU as a whole (European commission, 2009). A new forecast is slightly more optimistic as it projects a growth in GDP of 0.7% for this year. Germany witnessed a rebound since mid-2009 that was driven by expansionary fiscal and monetary policy, a sharp turnaround in the investment cycle, and a recovery of exports due to recovering world trade. In Spain the economic contraction was lower than predicted but growth will remain negative. The United Kingdom, Italy and the Netherlands will have a low growth rate albeit higher than forecasted in 2009. While others still have to cope with the crisis, Poland is the front-runner of recovery, in particular as a consequence of public spending (European commission, 2010).

As reaction to the crisis European governments engaged in interventions so far unparalleled. Several banks have been completely or partially socialised like for instance in Germany, the United Kingdom and Ireland and substantial financial support was offered to sustain capital markets. And more recently some member states have begun to consider national or coordinated levies for banks to establish a cash-fund for future crises. Other economic sectors have been supported by special state aid such as the car-scraping schemes in Spain and Germany. Notwithstanding numerous attempts to protect national businesses, mercantile policies could be avoided. Even the fierce debate about how to handle the crisis in Greece makes it obvious that the EU member states are closing ranks. This does not imply that all decisions are made in total harmony but the ambitions to coordinate policies are significant.

The demand for common economic and financial governance is exemplified by the Polish and Danish desire to become part of the Eurozone. Denmark has as of yet an opt-out for the Euro but currently a change of mind seems to be taking place. Poland amplified its willingness to join the club of 16 Euro-countries as the common currency is seen as an area of stability. Island, one of the countries where the crisis impinged rather severe, applied for EU membership in July 2009. Hence the EU framework is discerned by countries from outside and from within as an effective construct in times of economic distortions. In contrast to all benefits of European integration and the displays of aspiration to join the Union one should not ignore the fact that competitiveness in the EU and also in the Eurozone diverges widely.

Against this background the debate on the French plan of an economic government for the Euro area was revitalized. Although most members agree basically about more coordination in economic and financial affairs the actual realization thereof remains controversial. Especially the British government is reluctant firstly against excessive state intervention in general and secondly as the United Kingdom is not a Eurozone country against an exclusive club dominated by France and Germany. Regardless what mode of economic government or governance finally will be established the crisis both presents the need of and the chance for deepening financial and monetary integration and thus a concise European economic model.

The European Commission whilst barely present in the earlier phase of the global crisis is by now a serious actor in the question of how to cope with the economic crunch. The Commission’s Recovery Plan unrolls a common approach for Europe’s economic retrieval while leaving enough room for additional national measures (Commission of the European Communities, 2008; Council of the European Union, 2009). Two of the key elements of the plan are to stimulate private consumption and to allocate sustainable investment. It is the stated aim of the Commission to use the crisis as chance for a structural transformation of European economies. A low carbon economy is thus seen as an instrument of recovery and the favourite approach to realise the EU’s own climate objectives. The total budgetary impulse should amount to 1.5% of the joint GDP which is equivalent to 200 billion.

In principle the recent measures to deal with the economic crisis induce a critical tension in regard to the EU’s long-term objectives for economic and monetary policy. There is a trade-off between the targets of the Stability and Growth Pact and national spending for countermeasures against the recession. Public deficits in 17 of the 27 member states will be above the limit of 3% of their GDP. During the year 2009 the combination of national and European initiatives showed their effectiveness. Now the pressing questions of how to come back on track with the Stability and Growth Pact and what rules are needed for the future have to be resolved.

So the global economic downturn contains two possible scenarios: The first one is an old acquaintance within Europe, the so-called ‘Eurosclerosis’. In the late 1970s the process of European integration stagnated, the European Community lost its centripetal forces and social and economic decline threatened the continent. Today a similar scenario is possible if Europe is not able to use the crisis as a chance. So the second possible path for European development is one of a radical transformation of the economic structures at first within the EU and later on at global scope. Regarding the inner dimension, Europe needs to remember Jacques Delors who has been the French minister of finance and economic affairs in the 1980s. Before he took over the post as president of the European Commission, he elaborated a long-term strategy on the main challenges for Europe and how to solve them. He let the heads of state and government choose between two alter-
natives: economics or security. As they opted for the single market, Delors started the engine of modernization and led Europe out of the depression.

Despite all recovery the crisis is not over yet and facing the situation in Greece and the risk of economic contraction in other member states, Europe is looking for another Jacques Delors. Unfortunately today no master plan or vision for rebuilding the EU is tangible. Neither the Commission nor the Council have delved into the big picture. Instead they are struggling about details and specific segments. Declarations, attempts for tighter control of market participants and lukewarm efforts to allow for more coherence are all around, but what is missing is a comprehensive approach. The result is that cluelessness is omnipresent.

Due to the fact that the Lisbon treaty was put into force the EU’s institutional architecture is more or less capable of dealing with new challenges. These include not only economic issues but also terrorism, energy security, global warming and other problems of major scale. Over and above multiple rounds of enlargement and thus increasing heterogeneity among the member states made the concept of a European identity neither comprehensible nor communicable. These plethora of problems is not to be considered as separate but as impacting Europe at once.

Thus Europe has to define itself as a risk community (Bauer, 2008), a community where out of shared perceptions about different risks joint countermeasures are developed and that acts as a strategic community. The routine of noble containment in the various EU committees has to be overcome.

"A renewed narrative that makes the EU tangible for the citizens is badly needed"

A new strategic culture needs to be developed and a visionary political elite has to acquire the leadership. As a multi-level system leadership can emerge at different levels of the EU. But creative power is nevertheless dependent on the capability and the willingness of the member states to act. Notwithstanding the dominant role of national leaders, Europe will only be successful if solidarity and coherence are made the ‘leitmotifs’ of policy-making. In addition a renewed narrative that makes the EU tangible for the citizens is badly needed.

Europe’s Potential

Times are hard at the moment. The EU is facing a plenitude of challenges. The objective imperative to define common solutions has made the Europeans move together. A reform of the transatlantic relations is in the making as well as the expansion of the common energy and climate policy or a European research initiative. Anyhow the recent disputes about financial assistance to Greece shows that this unity is not unbreakable.

Most of the policies in the EU are reactive rather than pro-active. The reasons for that are the heterogeneity of member states’ interests and the complex multi-level decision-making processes. With 27 members in the Council, the Commission, an invigorated EP and other actors on several levels, deliberations and negotiations in the EU are and capable radical shifts. Thus the key task is to gain new vitality for European integration. How can this be done?

New primary-law colossuses or treaty reforms are not an option. Europe will only endure the actual global development unscathed only if it is able to define for itself a new ethos. An ethos that gives the right answers to the consequences of globalisation and denationalisation and that thereby generates new legitimacy for the EU. With the concept of flexible or differentiated integration Europe already has an effective instrument to approach these issues. No one but Europe has the potential to provide conclusive answers; only the Union is powerful enough to offer security and stability to its members while allowing for flexibility and individuality.

Europe has the potential to be a world power but institutions and agencies alone will not be able to mobilise it. This potential has to be arranged and linked to the spirit of European identity. Such a historical effort can only be realized with an accurate idea, a concrete vision about our future. Those are needed to create a momentum to give Europe a new shape. An ever bigger Union with today 27 members will ever less be able to march in step.

During the 1990s with the single market project and the upcoming enlargements looming large the heads of state and government remembered an idea that was initiated by Leo Tindelmanns and Willy Brandt almost two decades earlier: flexible integration. Since that time numerous policies have been Europeanized without the condition that all member states participate from the beginning. The Eurozone, the Schengen-area and other initiatives underscore the fact that flexible integration is an integral part of the acquis communautaire for many years now.

With the Amsterdam treaty differentiation was for the first time implemented into the primary law. Since the rules of flexible integration within the range of the EU treaties were difficult to fulfil, those rules have been adjusted with every treaty reform. The Lisbon treaty even includes an element of flexibility in the sector of defence policy, the so-called “permanent structured cooperation”. Despite the fact that flexible integration is still a demanding procedure, its application has never been easier.

Differentiation can be used as a laboratory to evaluate the potential for innovation within the EU. The diversity of interests among the member states asks for means to
initiate projects that are seen as important by some members but are at the moment not feasible for the Union as a whole because consensus is impossible. Nevertheless Europe has to be careful with the instruments of flexibility. An uncontrolled utilization or the misuse as threat theatre is not worthwhile. To avoid centrifugal forces flexible integration has to be in line with the basic objectives of European integration, it has to be open for all member states able and willing to join, and finally must not be used as a power-tool. Hence not only the member states, but also the new troika of the President of the Council, the President of the Commission, and the High Representative of the Union for Foreign Affairs and Security Policy are responsible for a sensible employment of those instruments.

Flexible integration is linked to a multitude of terms, such as ‘Europe a la carte’ or a closed ‘core Europe’. The model that should guide political reality is that of an open zone of gravitation. All other theoretical options would lead to dissolution. Thus differentiation should be applied where deeper integration of all member states is not possible. If the initiative of a group of members is successful, it will attract others to participate. Therefore this model does not establish a permanent separation between the ‘Ins’ and ‘Outs’ in conflicting areas of integration. On the contrary it provides flexibility and innovation for a more capable Europe.

The EU in the next decade

2010 will be the year when Europe turns the switch. If Europe misses the chance of modernizing itself, its role in world politics will remain rudimentary and it will loose the support of the member states and the European citizens. However, Europe has the potential of being a global player. The reforms introduced by the Treaty of Lisbon need to be systematically implemented, as they provide Europe with an institutional as well as procedural set-up that will increase its internal steering capacity as well as its capability to act in international affairs. Europe is second to none in trade and production, in research and development. This potential needs to be organized adequately and filled with the spirit of European identity. Such a herculean effort can be executed by the same Europe that today trudges confusedly. Big apparatuses won’t help overcome the crisis, only the big idea and decisive political leadership combined will do the job.

That is why the actual crisis can be seen as a chance: Europe, with its new institutional order, new decision-making procedures and new policy instruments may get out of this predicament stronger than before. Key is therefore a Europe of unity and diversity at the same time. A Europe that is willing to accept that none of the member states will be as strong and as secure outside the Union. A Europe that has an idea of its own future.

Notes


Bibliographical references


