The European Integration Politics in 2011: Between Negative Words and Positive Facts?

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Even if it's not easy to summarize it, 2011 will probably remain a key year as regards the European integration politics, for at least three series of reasons.

The definition of the EU response to the global crisis it has been facing since 2008 has led the EU to adopt structuring financial and economic answers, even if they are still insufficient on many aspects. It was also a year full of doubts, contradictions and hesitations at the European level, and then a very challenging one for the EU governance at large. It also fuelled the debate on the way in which the EU and the other member states may influence the autonomy of national democracies.

The common point of these three registers is that they led the EU to balance between negative words and positive facts – for a final outcome which will be easier to define with a bit more distance, but whose main components are detailed below.

Crises that Have Led to Structuring Albeit Insufficient Financial and Economic Answers

2011 first allowed the EU to adopt significant decisions as regards the emergency aid schemes devoted to Greece as well as concerning the reform of the EMU governance, with less decisive steps further as far as financial supervision and growth promotion are concerned.

The deepening of the dialectic "solidarity versus responsibility"

The EU has first come up with a clear and global response to the situation in Greece (with two European aid plans totalling 270 billion euro) and to the banking system difficulties. And the European Summit of 21 July 2011 noted that Greece would not be able to repay all its debt and that it was therefore appropriate that financial players were asked to contribute, even if this was on a 'voluntary' basis. Beyond these losses, the systemic risk linked to the possibility of another country having payment difficulties has been averted thanks to the interventions of the European central bank, which has injected around 1 billion euros, lending money to the banks with a 1% rate and a three years horizon. In exchange, this European solidarity meant difficult structural reforms for Greece, whose implementation has been followed scrupulously by the EU and the "Troika". Even if it's exceptional in many aspects, the Greek situation illustrates how the EMU governance evolved in the last three years, and especially in 2011, with major decisions and orientations that were not planed, and even theoretically and legally excluded some years ago. All these innovations served a dialectic combining more European solidarity towards member states on the one hand, more national responsibility under the EU control on the other hand.

On the solidarity side, one can note: the implementation of several aid packages through bilateral channels, then the European Financial Stability Fund (EFSF) and then the European Stability Mechanism (ESM), which will be a truly European mechanism to help the countries in difficulty. One can also stress the importance of the European central bank interventions, and especially its buying national bonds on secondary markets. And one can also underline that it was also decided that the EFSF would have the capacity to help banks in difficulty preventively and to buy up debt security on the secondary market, thereby giving relief to the ECB – on the basis of a further hike in its effective capacity to lend.

On the "responsibility and control" side, 2011 will remain as the year when the decisions to reform quite deeply the "Stability and Growth Pact" have been made: the so called "Six-Pack" has been adopted and entered into force, allowing the EU to monitor and to sanction better national deficits and more global macro-economic imbalances; the negotiation of a "Two-Pack" aiming at organizing an ex-ante control of the national budgetary choices has started; and the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union[1] concluded at the end of 2011 gave a more symbolic signal of these commitments to a more seriousness and rigour – with few innovation when compared to the texts already adopted, except the introduction of a so called "golden rule" in the national constitutions of the European countries.

All these major steps have contributed towards defusing some of the reluctance of traditionally rigorous countries, including Germany, where legitimate debates took place given the revisions in doctrine and substantial financial commitments that this country has had to make since 2007.

On the short and medium run, the key question of the year 2011 is still pending in 2012: will the EU go further in this direction, with more solidarity between the Member states of the EMU and more control on national budgetary and economic policies? More concretely, is the TSCG, and in particular its 2nd part devoted to a "fiscal compact", a compensation for the solidarity already granted or, on the contrary, a prerequisite for more solidarity in the future? In this second perspective, the launch of "euro-bonds" or "euro-bills" to finance new debts in common, or the adoption of a "redemption pact" on past debts above the 60% of GDP ceiling, would be welcome.

The need to prevent better the new potential crises

In complement to the rescue plans and mechanisms put in place, the EU also tried to prevent new potential crisis by tackling better the economic and financial roots of the ongoing one. This move led to two other major developments, which still need to be deepened in the next semesters.

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The first political development is to monitor not only budgetary deficits, but also "macro-economic imbalances". The recent crisis has shown that the private debt has to be monitored much better – after all, Ireland and Spain had respected very well the "Stability pact" until 2008. The "Six Pack" reform introduced the positive idea that global macro-economic factors, such as productivity gaps or current account deficits/surpluses, should also be monitored better. But the impact of the tools and processes to monitor such imbalances remain uncertain,[2] and one of the challenges at stake is to avoid bilateral relations between the Commission and each member state, and to have all the member states involved in the follow up of national measures.

The other field in which a reinforced supervision has been promoted is the financial one: it's indeed a financial crisis started in the USA in 2008 which generated the turmoil the European countries are all confronted with. And the EU is not only facing a "sovereign debt crisis", but also a "banking crisis", whose magnitude and content remain sometimes quite obscure, despite the "stress tests" organized in 2011 by the new European supervision agencies recently and rightly put in place. The EU had already launched a set of around 30 proposals aiming at reforming many. To prevent other crisis of this kind, the EU must still improve the efforts already made in favor of more rigorous financial norms and practices, as well as in favor of a more integrated financial supervision – in an effort to establish what the Bruegel "think tank" calls a "banking federation".

Austerity, but also growth!

If impressive progress has been made in 2011on the economic and financial issues, the EU balance sheet is less positive on other points, especially as regards growth. The EU countries are in a position where they need to adopt budget adjustment and structural reform agendas while making sure, at the same time, that they hang on to their prospects for growth in order to be able to succeed in their efforts as well as to offer their people hope for the future. The challenge here is not only to limit the effect of the EU austerity measures or to coordinate better national policies so that they could produce more growth: it's also to exploit the real added value of the EU as regards growth, as it was done with the adoption of the famous "Delors packages". The Polish Presidency of the second semester made impressive and valuable efforts to promote such priority, but the attention devoted to even more emergent challenges (rescuing Greece and preserving the banking systems) didn't allow any substantial decision to be made. The EU cannot only be seen as a Community banning deficits by force, be that force legal or political. In complementing the crucial role played by each of the Member States, it must also contribute to responding to the challenge of the global slowdown in economic activity and be seen, beyond the euro zone, to be fulfilling its primary role as a driving force for growth, with two main issues to be treated,

The EU must first achieve the completion of the Single Market, 20 years after the mobilising deadline of "1992", in order to make the most of a potential for growth and employment that is still largely under-exploited. As Mario Monti's report stressed in 2010, there remains a great deal to be done, particularly in the spheres of the services, the digital economy and public contracts. In its Single Market Act, the Commission estimated that a potential growth rate of at least 4% of GDP could be achieved over the next 10 years, and it has proposed stepping up the pace: it is up to the Member States and to the European Parliament to respond to this initial challenge in 2012

The EU must also bring more common investments, taking advantage of the adoption of the new "multi-annual financial framework" proposed by the Commission mid 2011. While the Community budget is first and foremost a tool for solidarity, it is also a tool for growth: it must then prove more effective in furthering the deepening of the Single Market, in particular by financing transport, energy and communication infrastructures of common European interest (in this connection, it is crucial for the 50 billion euro proposed for 2014-2020 to be approved). To complement these budgetary operations, the EU, and more specially European Investment Bank, must take the lead in issuing bonds designed to fund overarching projects, primarily in the infrastructure and environment fields. This can indeed respond to the massive investment requirements identified in Europe and permits this kind of spending to go forward, as it gets set to fall under the axe in numerous Member States. The EIB is well placed to issue such bonds, and to thus raise its annual funding capability to 200 billion euro (as opposed to the figure of 80 billion today) by bolstering the capital and the securities provided by the Member States.

The Ongoing Crisis, a Challenge for the EU Governance

When looking back at the year 2011 and the years right before, historians may judge that very substantial steps have been made by the European institutions as a whole in quite a short period of time. They may then give less importance to all the doubts, contradictions and hesitations which also marked this period and demonstrated that the crisis has been very challenging for the EU governance at large, on a least three different strands.

"Too little, too late and too many"

One thing was somewhat inevitable all along the crisis the EU countries have gone through: time was probably needed to reach collective agreement on the dialectic solidarity – responsibility mentioned below, so as to check whether the countries benefiting from financial aid really decided to implement structural reforms. As an example, the implementation of the decisions announced at the occasion of the European summit of the 21st of July 2011 has been extremely slow, and is still underway around one year later. The numerous European councils and summits organized during the year 2011 created wrong expectations and ambiguous outcomes – at least some of them could have been avoided.

More importantly, the crisis would have needed to be addressed by pointing out better the main short-term and medium-term issues and how the EU and its member states are contributing or can contribute towards dealing with them. The only fact to assert that the economic and financial interdependence established between the euro-zone countries imposed some solidarity efforts, and that these efforts was made in the clear-sighted interest of the donors as well as of the beneficiaries could have eased the discussions – but it happened quite late, and quite scarcely. Unfortunately, the national and European politicians who managed this crisis on behalf of the EU did not always demonstrate an overall vision, a spirit of solidarity and a sense of responsibility that are equal to the challenges faced.

Acting late and sometimes not sufficiently meant that one had to quickly go back to the drawing board under the watchful eyes of citizens who were sometimes confused or restive, of financial markets that tend to be fretful and hyper-reactive and of media that escalate fears on all sides. The result of such declarations has been clear: the EU's decisions have globally gone in the right direction but it had not always been easy to see what that was. There was a lack of convincing narrative to describe what was as stake and what was to be done to overcome the difficulties. It is undoubtedly difficult to deliver messages that suit some (for example the markets) without upsetting others (for example the citizens) and to speak at the same time to a given member state, and vice-versa. But it was particularly impossible to be convincing when such and such national or European official expresses him/herself haphazardly, including distancing him/herself from guidelines that have nevertheless been jointly recorded during European Summits.

Finally, it is because the prolonged defiance of the financial markets, the risks of 'contagion' and the reluctance of public opinion are leading them to face conflicting political choices that each member state needed to conscientiously weigh up if efforts agreed in the context of the euro-zone are worth it. It is then that they come to realise that these efforts and their costs are in the end limited by comparison with those that a hypothetical 'opting out' and a break-up of the European currency would lead to. From this point of view, the ongoing crisis will no doubt have amounted to a bitter but at the end of the day salutary hands-on lesson.

A "reality check" for the Community method

During the last 3 years, and especially in 2011, the necessities of the crisis management quite logically reinforced the role of the heads of states and government, who adopted the major decisions and orientations, especially at the European summit of the 21st of July. Clearly established as a major European institution by the Treaty of Lisbon and benefiting from the work of a new permanent president, the European council then appeared as the central actor, letting aside the rotating presidencies of the council of ministers – all the more aside that neither Hungary nor Poland are members of the euro-zone.

This evolution was quite normal, because the heads of states and governments hold the highest degree of legitimacy and are identified as such by the citizens. The European Council is then well equipped to intervene in times of crisis, as a kind of "*Deus ex machina*" acting through more or less formal procedures. The intergovernmental processes also helped to promote a pioneer approach in several cases: to deliver the funds used through bilateral aid schemes and then for the "EFSF", as well as to define the European position at the G20. And the "TSCG" was finally signed by 25 member states – basically because the UK totally refused such a perspective. All these different political and institutional moves fuelled a debate on the preservation of the Community method but, should they have existed, the temptations to bypass it seem to have failed.

The Commission was indeed reinforced by the adoption of the "Six-Pack", and especially by the adoption of the reversed qualified majority rule: from then on, it should be stronger to monitor and influence national budgetary policies. The ECB interventions were praised and expected all year long – it was a way to stress the added value and efficiency of the federal institutions. Even the negotiations leading to the adoption of the "TSCG" confirmed that the Community method was a unique tool to have binding decisions from the European level: its institutions (Commission and Court of Justice) have finally been backed by the countries willing to have more efficient mechanisms (for example Germany).

"Will the EU go further in this direction, with more solidarity between the Member states of the EMU and more control on national budgetary and economic policies?"

There was also a general feeling that, even if the crisis led some countries to express different needs and to exercise different level of responsibilities, these unavoidable political imbalances could only be compensated through the use of the Community method, that is to say through the involvement of institutions combining the political representativeness and the technical capacities to act seriously on the medium and long run. All this should help to rebuild trust between member states and stakeholders – and naturally deserve confirmation in the years to come.

A fresh start for a differentiated EU?

The year 2011 was also striking as regards the progress on the differentiation within a more and more heterogeneous EU. In theory, the enhanced cooperation is an ideal formula because it allows willing member states to move forward while leaving the door open for those that may wish to join them at a later date. But until 2011, it had proven possible to launch only one of them, in connection with the right to divorce. 2011 could then be a turning year: a second "reinforced cooperation" was launched, so to ease the adoption of the long waited European "patent", and the TSCG was concluded by only 25 countries and could enter into force after the ratifications of only 12 euro-zone countries.

In a pessimistic view, the TSCG could be perceived as an element of Angela Merkel's strategy to promote a new "Union's method". But a more optimistic view would conclude that many provisions of the TSCG finally rely on the European institutions' role (the Commission in particular) and that the repatriation clause of the article 16 foresees that all these mechanisms could go back to the EU framework. The TSCG could then be perceived as a way to promote a more and more homogeneous Europe (at least in terms of budgetary policies) but also to maintain a large diversity in economic and social terms. Time will be needed if tools of this kind are able to organize "unity in the diversity".

Articulating EU Interventions and National Democracies : Another Striking Challenge

In 2011, the crisis puts national democracies under pressure and led to the change of governments in several countries. This change has taken place after elections (Portugal and Spain) or just before them, after almost six months of interim government (Greece); in Italy, it came about after a vote of no confidence by the parliament which then widely backed Mario Monti – with the next elections to be held in mid-2013. The controversies over the financing of European aid plans also brought down the Slovak government and have shaken up several coalitions in power, for example in Germany, faced with sometimes hostile public opinions. All these events raised the "European democracy" debate to another scale: the issue is indeed not primarily the EU's functioning and its "democracy deficit", but the way in which the EU and the other member states may influence the autonomy of national democracies – in a context where the perceptions of the other countries appeared somewhat deteriorated on many occasions.

The need to clarify the scope of the EU interventions

The EU's interventions since the beginning of the debt crisis and the confusion surrounding the real effect of the new Treaty modified quite sharply the way the EU interventions are perceived in the member states, and could contribute to entertain the myth of an omnipotent Europe. As regards the scope of the EMU governance, there is then a need to distinguish between at least three different approaches

In the "countries under program" (Greece, Ireland, Portugal), the EU sets its conditions. It acts temporarily working alongside the IMF and according to the latter's mode of functioning, and helps those Member States that have *de facto* alienated their sovereignty towards their creditors, in exchange for fiscal consolidation and structural reforms that are subjected to hefty monitoring. The high degree of intrusiveness of the Troika in the 3 "countries under program" has to been presented as a logical compensation for the solidarity granted by the EU, and especially the countries paying a lot; and the form of the Troika and Commission interventions should also be monitored carefully, as the Commission's role is first to reduce mistrust, not to be perceived as an "public enemy".

With regard to the supervision of national budget policies, the EU may impose sanctions. The 3rd part of the new Treaty aims to reinforce the follow-up foreseen in the Growth and Stability Pact, in direct pursuance of the provisions adopted in the context of the "six pack". These sanctions, as until now, will only bear upon those countries that have let their accounts drift and that are reluctant or unable to reduce. With the "Two packs", the EU control might intervene *ex-ante,* when the budgets are discussed, and not only *ex-post*, when the deficits are made. It's essential to underline that such control doesn't give the EU the power to define the content of the policies financed by the national budgets and would not necessarily prejudge those choices elected in order to restore those accounts: in the recent period, the Spanish, Greek and French voters decided which proposals they are most in favour of in this perspective.

Finally, with regard to the coordination of national economic policies, the EU formulates recommendations. The 4th part of the new Treaty more or less reiterates the provisions of the "EU 2020 Strategy" and of the "Euro+ Pact", the latter providing slightly more precise monitoring indicators (for example the relation between wages and productivity evolution), and counting on a slight increase of "peer group pressure". In terms of efficiency, one may lament the fact that the EU, acts as a "super OECD" and does not have more efficient means of action. But this may be understood in terms of legitimacy –the most important being not to let believe that these simple European recommendations may question the autonomy of national democracies…

European reactions to the reforms undertaken by the Hungarian authorities, both at the very beginning of its EU presidency and at the end of 2011, confirmed the diversity of the impact of EU interventions, from welcome moral and political protest on the one hand, to procedures for infringement and sanctions possible in those single areas where European law seems to have been contravened on the other. In such a context, it will be necessary to tirelessly reiterate that the EU does not govern its Member states, and that, in conformity with the "subsidiarity principle", its competencies and the impact of its normative interventions are limited. Furthermore, that if membership of the EU confers rights and imposes obligations, it allows *de facto* and *de jure* for the extensive autonomy of its Member states, as the coexistence of very diverse economic, social, environmental and diplomatic national choices illustrates it

The need to clarify the involvement of national authorities

The crisis recalled that European policies and decisions rest not only upon European institutions, but also necessarily involve national authorities, in conditions that are also in need of clarification

That one Head of State or the other should exercise a particular "leadership" is a classical way of proceeding. However, the current crisis has reminded -through the criticisms of the "Merkozy" duo- that issues relating to formal procedure are just as important from a political point of view. A leadership exercised by only some national heads of state and government can be badly perceived and sometimes counterproductive. In order to be wholly legitimate and accepted at a national level, European representative authorities need to explain and assume responsibility for European decisions: the presidents of the European Council, the Commission and the "Euro-group" were the best placed.

The debt crisis has also placed national Parliaments at the frontline, among other reasons because the latter are solely habilitated to unblock funds granted in order to come in aid to other Member states. Their involvement will remain legitimate for as long as rescue mechanisms based on Community funding have not been put in place. They could also be very useful in exercising an *ex ante* control on national budgets, in the case where a European authority requested that a Parliament reviews a draft national budget: it is indeed crucial that this authority counts amongst its members representatives with a corresponding democratic legitimacy, which implies the presence of representatives of national and European Parliaments. However, this does not imply that we should ignore the primary need for a stronger control of national Parliaments on their governments when these negotiate and decide in Brussels – this deficit of national parliamentary control being one of the main sources of the "European democracy deficit".

European solidarity and "polity" at test

The relations between national democracies were also put under pressure because the crisis affected the perception of the solidarity principle, which is at the core of the European construction. It reminded that European solidarity is in any case "non emotional" and is essentially based on "well understood interests" that are often perceived and defined by the member states, under the gaze of their citizens (the controversies over the debt crisis in the euro-zone clearly illustrated this point). The controversies about the "food aid programme for the most deprived"[1] showed that the EU can be perceived with mistrust if it appears that the interventions that it makes in the name of solidarity challenge the distribution of powers between the community, national and even regional levels – unfortunately, the growing critics over the "European Globalization adjustment fund" may soon illustrate this again…

More importantly, tensions over the management of the Schengen area have also shown the limits of the spirit of solidarity. It reminded that this solidarity could be invoked only if the threshold effects that could trigger European aid have been reached (counter-example of the influx of Tunisian immigrants on the Italian coasts). And that the exercise of such a solidarity supposed that each European country fully exercises its own responsibilities: this takes place via serious and rigorous surveillance of common borders, scrupulous recording of applications for entry into national territory as well as a balanced rate of acceptance of the formulated asylum applications. The year 2011 showed that, if these conditions are not in place, the lack of mutual trust between states could weaken the political foundations of European solidarity put in place relating the free movement of people and border controls.

Finally, the year 2011 demonstrated that if the EU policies became more common and EU institutions more active, the national public spaces and politics remain quite national. It also showed the persistence of stereotypes and historic references between Europeans – and this is probably true both at the elite and mass levels. The Greeks have been described as "lazy", in reference to their supposed early retirement age: it has been recalled that the Greeks had many other problems, if not defaults, but also that, in reality, they work at least as much as the Germans… The Germans have been considered too egoist (while they were the first donors…) and prayed to take decisions more rapidly (but when this was done, they were sometimes accused to impose their domination, as during World War II…). The rise of the so called "populist" parties may well be directly linked to the crisis, and then have a punctual basis; but this crisis seems to have showed that, to a certain extent, European public opinions and citizens can remain structurally distant from each other – and that is not a good news for the European construction.

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It's easier to identify the main striking elements of the year 2011 than to predict what their final impact on the European integration politics will be on the medium run. To conclude such assessment exercise, one should then be tempted to underline that 2011 was certainly another very "inward looking year" for the EU, its member states and citizens, almost totally absorbed by the resolution of the debt and banking crises.

What can be said for sure is that 2011 will also be a year when many other priorities, especially as regards the outside world, were left aside: what about the relations with Russia and the emerging countries, what about the EU energetic strategy after Fukushima, what about the European military capacities after the Libyan war? On all these points, 2011 then left a large room for its "successors" to be remembered for many other good motives.

* This text was finalised in 30 April 2012.

Notes

1. See Valentin Kreilinger, "The Making of a New Treaty: Six Rounds of Political Bargaining", Policy Brief No. 32, Notre Europe, February 2012.

2. See Renaud Dehousse, "The 'Fiscal Compact': Legal Uncertainty and Political Ambiguity", Policy Brief No. 33, Notre Europe, February 2012

3. Nadège Chambon, "Subsidiarity versus Solidarity? The example of the European Food Aid Programme for the Most Deprived", Policy Brief No. 30, Notre Europe, October 2011.