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Can the EU still be saved?
The 'million dollar question'
(Oxford Dictionary: A crucial or essential question)



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Outline

- Prognosis - The EuroMemo Group twenty years ago and now
 - Can the EU be saved? Binary logic & nationalism
 - More/less integration?
 - Franco-German axis - Macron's 'big leap'
 - Stumbling blocks
 - German predilection for a 'Stability Union'
 - The German elections – Bird's eye view
 - The new European landscape
 - The White Paper, 2017
 - Where does the Left stand on all this?
 - Interdependence and democracy
 - A nascent EuroMed alliance– Athens Declaration 2016, Lisboa Declaration 2017
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***Back to the beginning - Declaration of Eur. Economists:
“Full Employment, Social Cohesion and Equity - For an
Alternative Economic Policy in Europe” (May 1997)***

- *The Maastricht Agenda: a threat to welfare, justice and European unity*
- This strategy, now imposed on all countries wishing to join the Monetary Union in 1999, is creating the *most important deflationary risks since World War II*
- Further, the design of a *two-speed Europe* in which the main policy emphasis lies on disinflation does not promote the unification of Europe; apart from exacerbating social inequalities and imbalances within member countries, it will create new divisions and polarisations among member countries - and it will establish new barriers between EU members and third countries

Fast forward – EMG sensibilities 2010-2017

- EuroMemorandum 2010/11- *Confronting the Crisis: Austerity or Solidarity*
 - EuroMemorandum 2012 -*European integration at the crossroads: Democratic deepening for stability, solidarity and social justice*
 - EuroMemorandum 2013 -*The deepening crisis in the European Union: The need for a fundamental change*
 - EuroMemorandum 2014 -*The deepening divisions in Europe and the need for a radical alternative to EU policies*
 - EuroMemorandum 2015 -*What future for the European Union - Stagnation and polarisation or new foundations?*
 - EuroMemorandum 2016 -*Addressing Europe's Multiple Crises: An agenda for economic transformation, solidarity and democracy*
 - EuroMemorandum 2017 -*The European Union: The Threat of Disintegration*
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The European elite in denial



Can the EU still be saved? Binary logic & nationalism

- *EU Exit* has changed from an unthinkable occurrence to a possibility that is contemplated &/or speculated
 - Absurdity of untangling decades of relations in nearly all spheres of economic activity did not prevent *BREXIT* from happening
 - Threat of *GREXIT* by Greece's creditors familiarised people with the idea of Exit from the EU
 - *Re-emergence of nationalism* - Nationalist, populist and racist Right exploiting grievances of working class communities; from Donald Trump to the AfD through Nigel Farage, Geert Wilders and Marine Le Pen, nationalist Right shaping politics
 - *Disintegration is not integration in reverse*. Need to understand the motivations of different actors and model their interaction in order to project how this process will unfold beyond the near future
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Can the EU still be saved? More/less integration?

- *EU: a composite polity bearing many state characteristics but also significant asymmetries*
 - *State characteristics* – Legal personality, territory, citizens, directly elected parliament, common currency (19 ms), common legal system directly applicable to ms, symbols (anthem, flag and motto - ‘United in diversity’)
 - *Asymmetries* - large/small, old/new, multiculturalism, low trust in EU institutions, etc.
 - *Multiplicity of crises*, transformative in nature, challenging democratic capitalist compact within which EU historically embedded
 - *Community method*, emphasizing the role of the supranational bodies in the decision making process, gave way to increased intergovernmentalism during crisis
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Franco-German axis - Macron's 'big leap'

- *Decision-making hierarchy* composed of France and Germany emerged during crisis, followed by growing German unilateral leadership
- *Franco-German axis* is re-emerging
- *Macron's ambitious idea* is to take a big leap toward a eurozone fiscal union, with a common treasury and a single finance minister. This would enable, in his view, permanent fiscal transfers from the stronger countries to countries that are disadvantaged by the EMU. The eurozone budget would be financed by contributions from member states' tax receipts. A separate eurozone parliament would provide political oversight and accountability.
- Can France counteract German influence?

Can the EU still be saved? Stumbling blocks

- *Stumbling blocks* – I. German diverging economic interests
- *Schneider & Syrovatka*: “... gradual shift in the dominant internationalisation patterns of the German political economy within the European division of labour, away from S. Europe & France and towards E. Europe & the emerging markets.... entails severe obstacles for strategies aiming at a progressive Europe-wide productive development”
- II. German electorate largely convinced that eurozone crisis not one of interdependence but a morality tale (hard-working Germans against profligate debtors)

Can the EU still be saved? ‘Stability Union’

- *German predilection* for ‘democracy without choices’
 - Angela Merkel congratulated Macron on his election, but stated that she would not consider changes in Eurozone fiscal rules
 - *Schauble in favour of ‘Stability Union’*, whereby ESM to be transformed into a European Monetary Fund, monitoring compliance of ms to fiscal rules; no fiscal capacity/issuing of bonds; EU Finance Minister within the framework of the ESM/EMF
 - *Macron’s message to Germany* – Either we build a fiscal/political Union or we are run over by the extremist onslaught
 - Franco-German proposals will set terms of the discussion; indeterminate at present
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The German elections – Bird's eye view

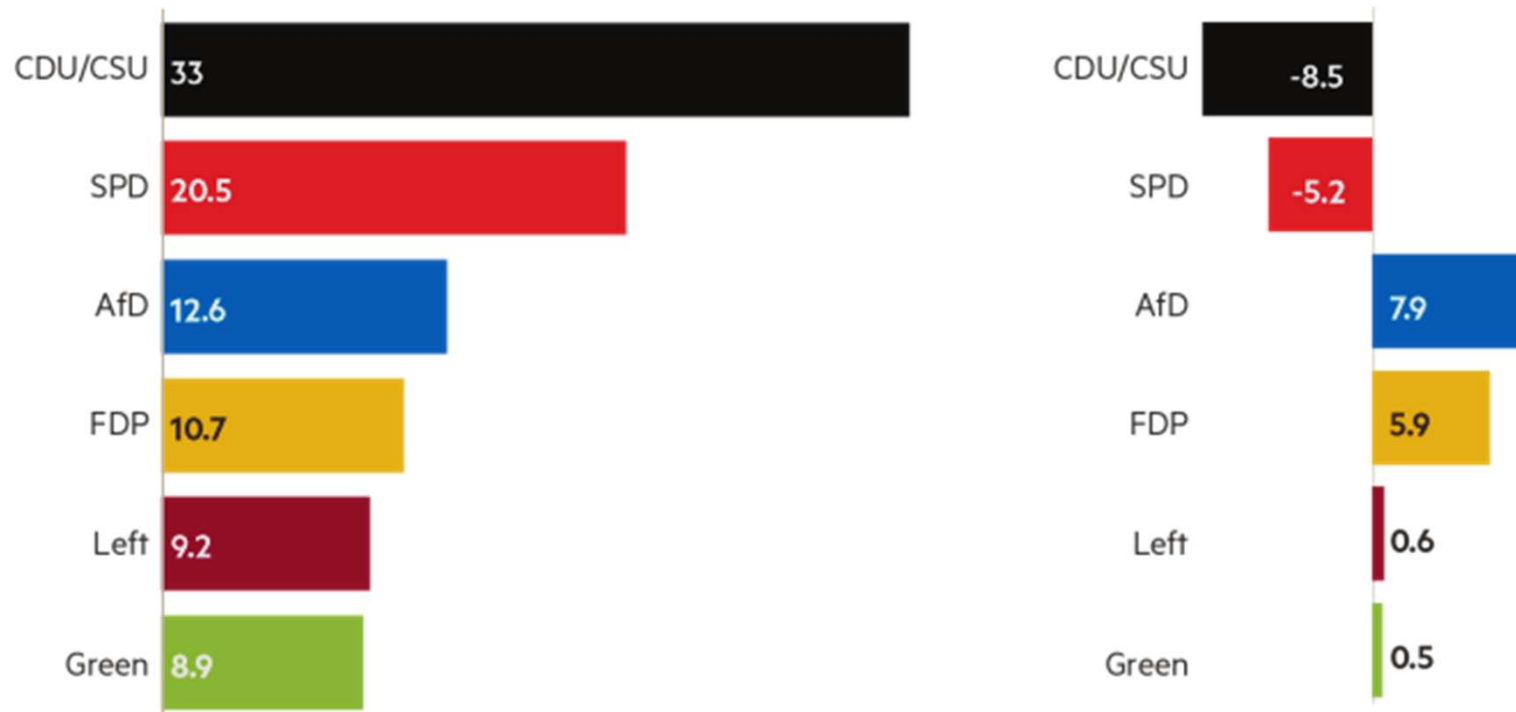
- More than 1m voters shifted away from the CDU/CSU parties to the AfD — but even more went to the FDP
 - The SPD lost votes in nearly equal measure to the FDP, the Left, the Greens and the AfD
 - The AfD was the big winner, drawing votes from all the big parties. Significantly, it mobilised previously disengaged voters
 - The FDP was the main beneficiary of the swing away from the CDU/CSU parties, while the Left offset losses to the AfD with gains from the SPD elsewhere. The Greens benefited from the decline of the SPD.
 - AfD's biggest gains were recorded in parts of E. Germany with low immigration
 - The SPD lost in economically depressed parts of the west
 - The Left gained ground in younger constituencies and lost in older areas; also improved in areas with large professional populations and lost in areas with high manufacturing employment
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The German elections - Percent votes

Major parties suffer worst-ever results as AfD enters Bundestag

% of votes won

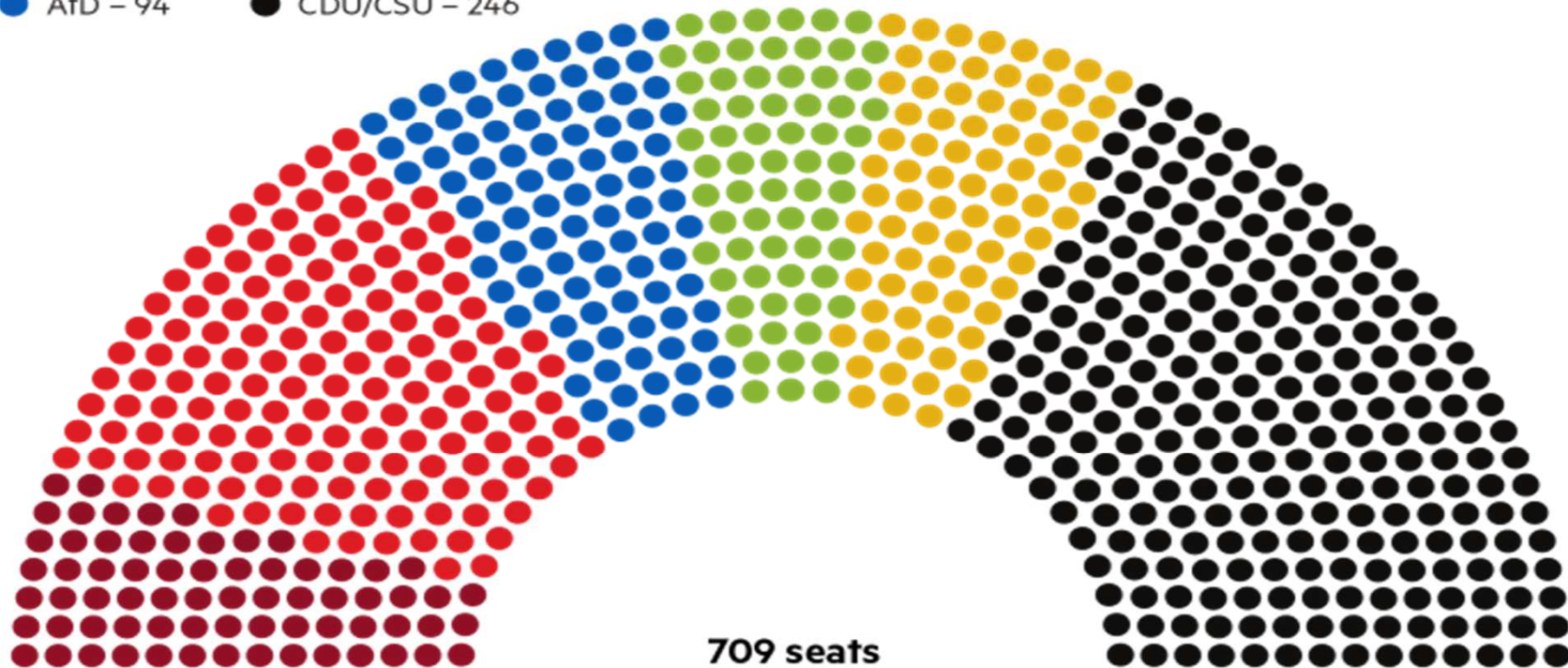
Change since 2013 (% points)



Source: Federal Returning Officer
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The German elections – 709-member parliament, largest ever

Biggest-ever Bundestag



Source: Federal Returning Officer
© FT

The new European landscape

- The turn to the nationalist, far Right in Europe's political landscape is confirmed
- AfD will be the third largest bloc in German parliament – *Sigmar Gabriel* (for. Min.) “we will have real Nazis in the German Reichstag”
- German politics to be affected; pressure on government to take more nationalistic positions
- Relations with S.European countries recovering from crisis will become more difficult
- Macron's plans will meet with greater opposition
- Discussion on EU integration will either come to a halt or it will take a more conservative direction
- Overall, road ahead even bumpier!

Can the EU still be saved? The White Paper 2017

- *Jean-Claude Juncker*. “Europe has always been at a crossroads and has always adapted and evolved”
 - *White Paper on the Future of Europe* detailing five scenarios: (i) carrying on; (ii) nothing but the single market; (iii) those who want more do more; (iv) doing less more efficiently; (v) doing much more together
 - *Scenarios put forward by the Eur. Commission* overlook inherent contradictions and tensions in European societies and economies; e.g. labour market heightened insecurity and increased deregulation; role of finance in post-crisis era; increasing poverty & inequality; growth of ‘subaltern’ class across the EU; etc.
 - Assuming the WP is not shelved, scenario (iii) seems likely
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Where does the Left stand on all this?

- For starters, it does not stand united
 - *Lexit*, propagating exit from the EU by the left, came up in the 2016 British referendum. It is argued that the current treaties and structures of the EU need to be dismantled and replaced by others within the framework of a new union, on the basis of a radical reconsideration of the foundations of the current EU and the practices that structure it.
 - This is a laudable ambition and political objective. However the roadmap leading to the desired goal is lacking. In view of the internal weaknesses of the left and its lack of political intermediation in the decision-making processes, it is hard to see how such far-reaching goals can be achieved.
 - Neither does the historical experience of the 20th century provide many useful lessons.
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Interdependence and democracy

- The dominant strand in the Left recognises the interconnectedness of the social and economic relations in the EU and the fact that any attempt at radical change cannot be confined to the member state.
- While not negating the significance of national structures and processes, the dominant economic system must be changed through a shared European process
- *A multi-level governance model* combining action at the European scale with that undertaken by individual governments is needed
- *Challenge for the Left:* to identify key elements of such a strategy and to build the necessary alliances in order to put it into effect.
- *Aglietta and Leron's 'double democracy':* confronting the duality which constitutes the European political system

A nascent EuroMed alliance– Athens Declaration 2016 - Lisboa Declaration 2017

- *First Mediterranean EU Countries Summit* was held in Athens in September 2016; Athens Declaration sets out common concerns & goals of 7 countries (Cyprus, France, Greece, Italy, Malta, Portugal Spain) - Even though these countries were hit by the crisis esp. hard, this was the first attempt at coordination of any kind
 - *Second Summit* took place in Lisbon in January 2017.
 - *Economic policy priorities* of the EuroMed countries - Need “to ensure that the monetary union functions effectively and its benefits reach all citizens”;
 - Stress the need to go further than the European Fund for Strategic Investments in addressing the investment gap existing in many Member States and regions;
 - European Pillar of Social Rights has to be strengthened “as a fundamental element in preserving and further developing the European social model and welfare state”
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