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POLICY INSIGHTS

Reflection on the State of the Union: From Crisis to Crisis? Or in a State of Perpetual Crisis?

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But what are we teaching our children now? what will they inherit from us? A Union that unravels in disunity? A Union that has forgotten its past and has no vision for the future? –
President of European Commission Jean-Claude Juncker, 14 September 2016

Discussion about the future of the European Union (EU) is now taking place at 27. At the Bratislava Summit on September 16, the United Kingdom (UK) was not invited to participate considering the recent results of the referendum.

The Bratislava roadmap identified a series of policy areas that the EU ought to address: boosting up unity, addressing the migration crisis and external borders, strengthening cooperation to enforce internal and external security, and providing to the economic and social development of the Union. The roadmap appears more as a wish list for European leaders than a strategic common set of policies taking the Union towards a certain future.

This policy paper seeks to reflect on the issues facing the EU and its Member States. Several aspects have been identified as critical for the Union: security and defense, European economy/ies, the populist turn of European politics, and two critical challenges confronting the Union: climate change and Brexit.

A New European Defense Architecture: Securing the Peripheries?

Historically, the policy area of European security and defense has been deeply intertwined with the construction of the European Union. Back in 1954, the European Defense Community (EDC) was introduced in order to create a European army. For political reasons, and lack of French support, the project was soon stopped. European security and defense, known as the Common Security and Defense Policy (CSDP), became a core part of the European Union ensuing a series of treaties such as the 1992 Maastricht Treaty, 1998 Treaty of Amsterdam, and the 1998 Saint-Malo Declaration. A series of summits and the 2009 Treaty of Lisbon continued the deepening of the European security and defense policy (Howorth 2015; Larivé 2014).

Throughout the integration process, the EU Member States have remained the principal actors and decision-makers in an area perceived as deeply intertwined with national sovereignty and security. Historically, Paris and London have been the principal advocates of the CSDP. For Europeans, NATO has been a curse and a blessing. A blessing, as the Atlantic Treaty has provided Europeans direct access to the security blanket guaranteed by the US. A curse, as the CSDP is seen

in Europe and the US as a potential instrument of duplication of NATO and a policy seeking to undermine American power and influence in the region.

The EU and its 28 Member States are being confronted with ever-changing peripheral and global systems. Since the beginning of the Arab Spring, Europe's peripheries have transformed into a 'ring of fire' surrounding the Union. To the East, Russia's resurgent foreign policy has led to a war in Georgia (2008), an ongoing civil war in Eastern Ukraine and the annexation of Crimea. To the Southeast, Turkey has been a highly unstable country experiencing a failed coup d'état and ongoing political and security crises. South of Turkey, Syria has been the home of one of the most vicious civil wars fueling an unprecedented wave of refugees to neighboring countries (Turkey, Jordan, and Lebanon), causing over hundreds of thousands deaths and provided a safe-haven for the terrorist network of the Islamic State. The whole Middle East and North Africa (MENA) is highly instable with the existing power vacuum in Libya and dictatorial regimes in Egypt and others.

Currently, France is the only EU Member State with ongoing military operations in Mali, Central African Republic, and Iraq/Syria.¹ The EU through the CSDP has deployed small civilian operations seeking to stabilize the Sahel region and provide assistance in the security sector reforms of African nations. Unfortunately, the lack of political commitment by EU Member States to address the root causes of the current crises occurring in Europe is the principal shortfall of European security and foreign policies. The EU and its Member States are unwilling to think strategically and acting in order to secure the external fronts of the Union.

Recent discussion has led Member States to bring one option to the table: a Schengen for defense (Gentiloni 2016, European Commission 2016). This plan implies a group of Member States that are willing to strengthen their defense efforts, agree on the development of permanent and single headquarters,² and develop a European Defense Fund. One of the major shortfalls has not been the funding or lack of a command structure, but rather Europe's capabilities. Until Europeans can reach an agreement on common interests and strategies, the discussion over the type of European defense architecture will remain secondary. Since the strategic debate is lacking, as proven by the recent 2016 EU Global Strategy (EEAS 2016a), the EU Member States are currently relaunching a new round of discussion about the need for an efficient and active CSDP.

Economic Precarity in the Eurzone and European Union

Internal Restlessness

After plummeting into a severe debt crisis in 2009 in the wake of the financial collapse in 2007-2008, countries belonging to the Eurozone have seen brief glimmers of economic growth very recently. The 19 countries of the Eurozone have experienced a turbulent push towards what may now be seen as recovery, as speculated by London School of Economics research fellow Iain Begg, who claims, "The long-awaited recovery may finally be consolidating" (Goodman 2016). In April 2016, the Eurostat Press Office released information confirming that Eurozone countries advanced 0.6% in GDP growth in the first quarter of the year than in the preceding months (Eurostat 2016a).

¹ The current air campaign led by the US, known as Operation Inherent Resolve, includes several EU Member States involved in the bombings over Syria and Iraq such as Denmark, France, the Netherlands, and Belgium.

² The idea of a permanent structured cooperation, or PESCO, is one goal of the plan developed by the Franco-German plan.

While this recovery process has fluctuated inconsistently since 2008, it appears that the overall GDP is returning to its 2008 pre-collapse level.

However, the economic situation remains volatile in some countries and anemic in others. According to Eurostat, while the unemployment rate in the Eurozone has declined, it is still looming slightly above 10%, leaving countries like Italy, Greece, and Cyprus with increasingly less disposable income, although Germany has increased its disposable household income by 15% (Goodman 2016, Eurostat 2016b).

Despite the cautiously optimistic upturn in Eurozone economics, both Brexit and the current debate over each country's ability and/or willingness to resettle migrants and refugees in Europe have added a new level of precariousness to the EU's financial state. Germany has opened its borders to nearly 1 million refugees and has continued to see solid economic growth, but Greece has persisted in a downward spiral since the refugee camps have lessened tourism, which is their primary driving economic force.

While countries like Spain, Greece, and Ireland have taken the hardest blow to their housing markets, unemployment rates, and struggles with prospective bailouts starting at the beginning of the debt crisis, the UK in particular is experiencing a different kind of financial inequality: the exploitation of Eastern European workers (European Commission 2016). President Juncker pointedly addressed this issue in his State of the Union speech in light of the vicious attacks on several Polish men in the Britain who became the targets for recent hate-crimes while Eastern European workers on the whole continue to receive lower pay for equal work. Juncker emphasized that "Europe is not the Wild West, but a social market economy" (European Commission 2016), promising to tackle these issues in the coming years. He also resolved to open up markets with Canada and maintain a "fair playing field" in which monopolies and big-business bullying will not be tolerated. While the two latter resolutions can be put into play rather quickly, the economies tied to Brexit and issues of migration unfortunately seem to remain in a state of suspension.

External Factors at Play

In external policies two issues ought to be addressed at the moment: the Transatlantic Trade and Investment Partnership (TTIP) and the Commission's ruling on multinational corporations (MNC) inside the common market. Both issues are quite important for Europeans in this recent reflection on the benefits of free trade and role of regulatory powers.

The negotiations of TTIP were initiated in 2013, putting the European Commission and the US Trade Representative (USTR) at the helm of the negotiations. TTIP is not a traditional trade agreement as it is principally focused on harmonizing rules, technical regulations, standards, and approval procedures. In recent years, intense domestic pressures in France and Germany have emerged and influenced the public opinion and debate on the topic. Due to domestic pressures in Europe related to fears of lower food standards (GMOs) and the investor-state dispute settlement mechanism (ISDS), national leaders have called for an ending of the negotiations. In the US, the Trans-Pacific Partnership (TPP) is the priority and falls in the continuity of the strategic realignment of the US towards Asia beginning with the election of President Obama in 2008. The USTR continues its work on the TTIP, but American public opinion is not concerned about the Atlantic version. TTIP will have to wait for TPP to be approved as well as the election of the next US President.

The second point of contention is the more aggressive and political Commission, especially from Commissioner Margarethe Vestager in charge of competition in the common market. Since her nomination as part of the Juncker Commission, Ms. Vestager has begun a series of investigations against Apple, Google, and Gazprom. The most recent ruling on the Apple case has triggered some tensions between the EU, the US, and Ireland. The Commission found Apple guilty of illegal deals with the Irish government allowing the company to pay almost no taxes on its European business over the years (Kanter and Scott 2016). The Commission ruled that Ireland should collect €13 billion in unpaid taxes from Apple. The US stiffly responded and accused the Commission of targeting its most successful multinational corporations. Ireland, too, did not welcome the ruling as it undermined Ireland's low corporate tax rates of 12.5%.³ Such a model has allowed Ireland to attract investments and corporations, and transform the country from "poor farmers into a wealthy knowledge economy" (The Economist 2016). Commissioner Vestager exposed the inconsistencies of the system wherein powerful MNCs can grow and increase profits thanks to a lack of unified corporate tax rates at the national and EU levels. The US sees it as a loss in terms of revenues, while the EU argues in favour of fair competition inside the common market. Applegate is only beginning.

Rising Radical Tides

President Juncker's cautionary tone regarding the current state of the European Union is undoubtedly a product of the critical elections looming on the horizon and not solely within EU Member States, for example with the upcoming elections in Austria, the U.S., France, the Netherlands and Germany. The fact that the radical right-wing parties vying for the platform do not seem to have gained enough traction to win the aforementioned elections does not necessarily indicate the water's temperature below the surface. Political bodies that straddle the line between populism and a slightly lesser form of fervent anti-immigrant-based nationalism, such as Greece's Golden Dawn and France's Front National with Marine Le Pen at the forefront, have ebbed and flowed in and out of the European public consciousness over the course of the 20th century, spilling quite rapidly into the 21st. An election lost by such political parties does not put to bed the authoritarian nationalism awakened by their rhetoric, fueling the far-right agenda which is capitalizing on the fears of citizens of Member States regarding the recent flood of migration that has left many refugees at the mercy of closed borders (Nossiter 2015). This brand of nationalism has bled into the fabric of the EU from all cardinal directions as a pushback against globalization in an attempt to preserve an individual, regional and national identity, but we are seeing particularly concerning manifestations of ultra-nationalist political groups popping up in places like Hungary, the Czech Republic, and Poland.

New EU Member States, formerly perceived as success stories of European enlargement, are now confronting radical domestic and political changes. Following an unprecedented investigation by EU officials into the inner-workings of its government in January 2016, Poland has continued to ignite protests amongst its citizens with several rather draconian bills proposed this year, one of which seeks to make punishable by imprisonment any implication that Poland had any culpability for crimes perpetrated in the Holocaust (BBC News 2016). Another bill sought to legalize abortion in nearly every scenario, but has since been retracted following a protest of

³ Ireland's corporate tax rate is of 12.5% well below the OECD average of 24.85% and a US rate of 38.9% and French rate of 33.3%.

millions of women. In this case, this surge of nationalism is in many ways still married to the authority of the Catholic Church in Poland.

In Member States like Hungary, however, recent political issues have been spurred by an influx of Syrian refugees. Hungarian leader Viktor Orbán and other governmental officials have rejected the EU Commission's referendum requiring EU Member States to participate in the resettlement of refugees; Hungarian leadership "is espousing an EU where national leaders call the shots" (Lowe 2016). The country's decision to close its borders to refugees without the authority to do so under EU jurisdiction further illustrates the privilege of nationalism over the supra-national institution of the European Union. The threat of radical right-wing governments that oppose Schengen and the values upon which the EU was built, and had to be incorporated by candidate countries as part of the Copenhagen criteria, is rapidly on the rise, and the normalization of these nationalist sentiments has launched a breakdown of European identity and integration in the 21st century, concepts that will soon be re-defined by the results of the upcoming elections.

Critical Challenges and Implications

Despite the multitude of challenges facing the Union, two should be really framed as crisis: the future of the United Kingdom in the Union (so called Brexit) and the threat of climate change. Brexit is a direct challenge to the essence of the Union being a project built on cooperation and solidarity, while climate change is a looming threat to all of us.

Brexit

In an attempt to respond to UK citizens that expressed feeling silenced in political debates at the EU level, British Prime Minister David Cameron put forth a vote on whether or not the UK should remain a foundational member of the European Union. On June 24, 2016, the world awoke to headlines broadcasting the UK's unexpected referendum results: a 52% majority had voted to leave the EU. While it appears that all formal logistical discussions of the UK's transition out of the EU are stagnated until early 2017, topics of immigration, national defense, economic adjustments, and a cascade of other issues are brewing amongst citizens of EU Member States. Enacting Article 50 of the Treaty of Lisbon will be a challenge in and of itself as it has never previously been employed, and the implications of the process are breeding tensions even in the pre-exit stage.⁴ Just recently, Britain announced its 2.7 million euro plan to erect a wall at Calais in order to prevent the illegal immigration of the 7,000-10,000 people temporarily residing in the migrant camp referred to as the "Jungle." This wall, said to be completed by the end of the year, speaks to Britain's attitude towards migrants and refugees, who will seemingly continue to be turned away at the gate.

Additionally, talks of national and international defense are stirring as Juncker recently proposed the implementation of an EU military, a proposal Britain has vehemently opposed for years primarily due to the concern of unnecessarily duplicating NATO's efforts and therefore compromising relationships of countries belonging both to NATO and the EU. The list of other critical challenges the EU will face over the next two years are not limited to the aforementioned issues, but with the public's attention on economics, issues of migration, and global security, the uncertainty of these affairs due to Brexit will be a difficult limbo to sustain until the exit process formally begins.

⁴ Prime Minister May recently announced the timeline for the UK to finally enact the Article 50, which will be late March 2017.

At the helm of the Brexit strategic committee is newly appointed Prime Minister Theresa May, who assumed the role after Cameron's resignation. She has designated David Davis, Liam Fox, and Boris Johnson, all voices that advocated for the withdrawal of the UK from the EU and aptly named "The Three Brexiteers," as three officials who will aid in the negotiation process of the official Brexit strategy. It is not yet clear what financial and economic issues the UK and the rest of the EU will run up against in the coming years, but JPMorgan economists David Mackie and Malcolm Barr recently predicted, "In the absence of a clear sense of direction and purpose the EU is likely to behave defensively and seek to maintain the delicate constellation of political bargains that constitutes the status quo. The lack of vision in the rest of the EU will create problems for the U.K. as it negotiates its exit" (Kennedy 2016). Because of Britain's position as one of the prominent economic powers on the global platform and the uncertainty that lies ahead, banks are understandably worried and foreign investments are declining since financial predictability is not a factor for the time being.

The Threat of Climate Change

Addressing the challenges caused by climate change has been a priority of the EU and its Member States since the 1990s. The EU considers and frames itself as a green power, advocating for more rigorous European and international standards in order to curb greenhouse gas emissions (GHGs). The most recent success is the COP-21 in Paris in December 2015. After a month of negotiations, the EU and the rest of world agreed on a set of measures in a legally binding deal permitting to curb climate change and limiting global warming to under 2 degrees Celsius.

The French government, along with the EU, worked on avoiding another Copenhagen, which saw a lack of unity among the 28 plus a moment of unity among rising powers, known as BRICS.⁵ Since the Paris Deal, the United States and China announced in September 2016 during the G-20 meeting the ratification of the agreement (Phillips *et al.* 2016), while Europeans have only recently announced the ratification process.⁶ Despite the approval by the European Parliament, some individual Member States are expressing concerns.⁷

In parallel, the EU is currently working on meeting its 2020 targets of curbing GHG emissions by 20% based on 1990 levels by 2020, and in 2014, the EU agreed to reduce GHG emissions by 40% by 2030. Several approaches are being undertaken: development of an Energy Union, increase in the share of renewable energies in the overall European energy mix, and the expansion of carbon trade at the European level. However, this can only function if the EU can reform the Emission Trading System (ETS), which has had mixed results since its implementation. Each initiative presents some positive outcomes, however, it will require Member States and corporations to decide to unify their infrastructures, agree on a common position in dealing with energy exporters (like Russia), and address the future of shale gas and nuclear energy in Europe.

⁵ Brazil, Russia, India, China and South Africa.

⁶ With the approval by the European Parliament on October 4, the Council can formally adopt the Decision. In parallel the EU Member States will ratify the Paris Agreement individually, in accordance with their national parliamentary processes.

⁷ The most vocal Member State is Poland, an economy highly dependent on coal. But at this stage, several EU countries have formally signed off on the Paris deal including France, Germany, Hungary, Slovakia, Portugal and Austria. The UK should approve it by the end of the year.

Conclusions on a “Crisis”

The European Union is a complex entity at a point of juncture between an extremely complex institutional unit highly dependent on the centrality and willingness of the Member States. The EU seems to be jumping from one crisis to another without any sense of direction, being that the current state of affairs in economics, migration, politics, and security has been referred to in countless articles and studies as a “crisis.” While this word indeed encapsulates the Eurozone debt struggle and rising tensions in Eastern European governments, the terminology with which we refer to the issue of refugees and national security is not so cut and dry. Nearly 3 million displaced persons have been received by Lebanon, Jordan, and Turkey, but a lesser number of refugees have been resettled in European countries by contrast.

For the EU, is this truly a refugee crisis if the majority of its Member States have not had to confront the challenges of resettling a war-torn country’s population? In evaluating the State of the Union, the EU must carefully assess the categories in which it places itself so as not to misrepresent factors that are currently contributing to its economy and social politics. However, with several crucial elections quickly approaching, the EU may again have to reckon with the term “crisis” in a new historical context.

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