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Uncertain Future of the European Union

The End of European Integration – Anti-Europeanism Examined

by **Paul Taylor**

Albatros plus and Službeni glasnik, 2010.

I.

The process of European integration, which has been rapidly taking place after the Second World War, has had its ups and downs. Periods of optimism have alternated with periods of pessimism. The problems that are currently emerging within the European Union (EU) are not new, nor are new the dilemmas, controversies and disagreements among the member states. Only their form and their intensity have changed. From the very beginning the development of European integration was accompanied by a very complex relationship between Germany, France and Great Britain, that is between the states that were crucial to everything that took place in this context. As a rule, disagreements within the EU always appear when it is necessary to make a strategic decision that will affect the different interests of individual states. There are noticeable differences about the direction and pace in which further European integration should proceed. In addition, with their unexpectedly confused behaviour in recent months the EU shows that it is extremely difficult to agree on common rules of the game and obey them consistently in cases when they are not in favour of a particular country, and it's much easier to impose arrogantly rigid rules of conduct on others.

Debates about the principles on which united Europe should be based have followed European integration from its very beginnings. Thus, for example, at the very beginning of formation of European integration there has been a large discrepancy between the key players: France and Germany. The great German reformer, Ludwig Erhard, was then much closer to the idea of a decentralized than to a centralized Europe. He thought it unnecessary to create a powerful supranational bureaucracy to intervene in economic and political affairs of member states. According to his opinion, free trade and free convertibility of currencies are quite sufficient to give free reins to the economic cooperation between European countries and promote the welfare of their citizens. In addition, Erhard strongly opposed the French concept that involved strong state intervention and advocated an integrated Europe "of sovereign states and free people" (in his talks he used the term "functional integration"). In the then French proposal Erhard saw too much government planning and little room for the free market (Alfred C. Mierzejewski 2004). Even then, in a sense this opened the dilemma of whether Europe should be integrated as free or as a single market.

European integration took place in different global contexts that undoubtedly left a mark on its shape and progress in certain periods, but it was also faced with challenges of various kinds that had to be overcome along the way. One of the contemporary challenges facing European integration is globalization. Without any doubt, European integration is both directly and indirectly influenced by the globalization process and its far-reaching consequences. Influential analysts believe that globalization has powerfully shaped the European integration. For example, Simon Hix (Hix 2005) believes that the creation of a single market has fundamentally changed the process of governance in Europe. Specifically, he points out that the European single market program had a powerful deregulation effect. In his view, the single market constituted an integral part of the "victory of the neoliberal project." Michel Foucher in his analysis argues that the enlarged EU is *de facto* functioning as a regional laboratory to manage the challenges of globalization.

What will the future bring? In which direction will Europe move? Will it continue to expand and in what way? On what principles will its economy run? These are just some of the questions that come to mind when thinking about the European future. The debate on the future of European integration has been going for a long time. It had its periods when it subsided, but also a period when it gained in briskness. In any case, it is impossible to avoid dealing with strategic issues, i.e. challenges that the EU will have to face in the near and distant future. Suppressing challenges does not mean that they will not appear. For example, Günter Verheugen in 2005 in his book, which deals with the European crisis and the necessity of renewal of European ideas on a new basis, pointed out that it is necessary in Europe itself to answer several important questions. These are the questions: to what extent we need Europe, how far the EU's borders extend, how to preserve the existing welfare, social security and quality of life under the conditions of new economic challenges (globalization of markets and ever stronger competition), what role Europe wants to play in the world politics in general and how ready it is to be a global player, how to relate the idea of European integration with the needs and expectations of its citizens (Verheugen 2005)? In his opinion, these are the issues from which any debate on the re-shaping of Europe must start if it is intended to be relevant.

Verheugen noted also that the idea of a "strong core" of Europe is a nightmare and that it is actually "a scenario for crisis." In other words, he believes that under no circumstances the future of European integration should be tied for that scenario. It bears mention also that in his opinion Europe's most significant export product is political and economic stability (as the key values of European heritage Verheugen includes: democracy, human rights, solidarity, humanism and tolerance). Verheugen advocates that a united Europe, which was created as the project of political elites, may be successful for some more time. In the long term, united Europe must become a project of its citizens (their vision and energy), or it will lose life-giving enthusiasm.

Today, the debate about the European future has gained a new momentum and by its consequences involves much more than academic differences. The current global financial and economic crisis and the many consequences that have affected the EU as a whole (and especially its individual members) has further encouraged the

discussion of its existing institutions, as well as far-reaching debates about its future. In recent months, economic and political developments in the EU have accelerated. More and more open talks have been initiated about matters that had been considered taboo until recently. For example, one such issue is the future of European monetary union, i.e. it has been more openly questioned whether members of the European Monetary Union should leave the Euro zone if they are unable to adhere to the established criteria.

II.

The future of the European Union is also dealt with by a book of the renowned British scientist Paul Taylor. Specifically, this book deals with the prospects of European integration in the early decades of this century. Below, we draw attention to a few key positions that the author subtly argues in this highly important book. Taylor does not consider himself either an optimist or a pessimist, but a realist. He believes that in the EU's history and in the history of European integration process, it is possible to discover three periods of decline and two periods of recovery. Will a third period of decline be accompanied by a new recovery is not quite certain yet. Taylor first tries to probe the reasons for the decline of the EU in the early 21st century, i.e. he is trying to determine why the negative aspects of European policy and its institutions have become more convincing than its positive aspects. Also, the data show that the support of citizens for European Union were at the peak in 1990/1991 and in the early 21st century the shift away from integration was deeper than ever before. Why has the mood of Europe's citizens changed so much in just one decade?

The decline in the EU support Taylor sees as a complex phenomenon that has a social background, but also a very clear economic and political context. There is no doubt that globalization and the enlargement of the EU have posed a major challenge for the European social model. On the other hand, it has also opened up the complex problem of managing the EU under the new circumstances. Among other things, Taylor believes that the disappointment in the politicians, i.e. the obvious loss of public confidence in "the Brussels institutions", is partly an extension of the loss of trust in national governments that cope with modern economic and political challenges with less and less success. In fact, globalization has meant that governments are not able to solve problems that affect the citizens, and therefore people are losing faith in political institutions in general. Taylor emphasizes the resistance to integration that comes as a result of commitment to the elements of economic liberalism, but also due to the overall uncertainty (and fear) that an additional integration would bring about.

In Taylor's opinion, British objections to the EU, that is objections of Euro-sceptics, can be reduced to several key criticisms: criticism of the budget and spending; criticism of corruption, greed and waste, criticism of the common agricultural policy; criticism of excessive interference in the internal affairs of states; criticism of immigration policy. Taylor analyzes each of these objections and points out that most of the objections are not based on actual facts but on prejudice. For example, how does Taylor see the common agricultural policy? Although this policy is usually criticized and there are more open talks about the need to abandon it, Taylor draws

attention to its good side (incidentally, he also accepts the argument that its reform is needed). He believes that the liberalization of agriculture within the EU, represented by one of analysts, carries risks. It would direct production into the hands of monopolists, and that would result not only in the loss of control over the quality of food but would also reduce the amount of food available.

The causes of anti-Europeanism are varied, manifesting in different ways. The English are inclined to anti-Europeanism because they are uncertain about their own identity, so they express Euro-scepticism through their self-determination. Taylor analyzes political developments in the UK and shows that the opponents to Europe in the UK did not favour a genuine public debate about the "costs and benefits of" integration. They were much more in favour of "public uproar". Taylor notes that the idea of integration as a dynamic and evolutionary process is not the subject of academic study at British universities. With the French the change of attitude towards further integration first occurred after the first expansion of 1995 (the EU was then joined by Sweden, Finland and Austria), and especially the mood swings came in 2004, i.e. after the "major expansion" when the countries of Central and Eastern Europe joined the EU. This expansion resulted in the change of attitude towards the common agricultural policy (before the "major expansion" this policy had brought great benefits to France). The French position in Europe has changed substantially after the reunification of Germany. In this new balance of power it has lost the ability to "set the agenda". In Germany, the problem of resistance to the integration is of a different kind. After the unification Germany had changed its goals, i.e. after the unification the EU was less necessary to Germany than it was before. On the other hand, Germany has become much more demanding towards the EU. Taylor points out that in the statements of German officials there is more talk about the importance of Germany's relations with countries in the East. There is also another factor: the decline of European enthusiasm among German citizens is not caused by fear of further integration, but because of the perception that Germany does not have to continue to bear the high costs of the EU's existence.

Such a development of the mood of European citizens has also resulted from the trends in the academic community. As if a lack of fresh ideas and vision was being felt. The problem is that, as Taylor says, the theories of integration have failed. Theorists dealing with Europe (and the functioning of its institutions) have changed their research focus. Taylor believes that it was in the Nineties that integration activities were abandoned. More precisely, it is that theorists of European integration are no longer concerned with the progress or regression of European integration. The theorists of the European Union are mainly engaged in testing of political theories, that is testing of the general applicability of these theories in the European environment. Their analysis neglected the key issue for the future of Europe: whether the EU is moving towards a real political community or not. It is obvious that there are no clear principles that would make it possible to determine what is to be handled at Member State level and what should be transferred to the decision-making in Brussels.

III.

A particular challenge is the management of the European Union under the new circumstances. The Treaty of Maastricht of 1991 introduced the principle of subsidiarity. According to this principle, only those tasks which cannot be successfully resolved at the national level should be transferred to the European level. It is important to mention that Taylor evaluated differently the application of the principle of subsidiarity than usual. In his opinion, this principle basically prevents a federal option. In other words, he argues that this principle was used by the opponents of European integration to prevent its intensification, that is, by using this principle to mostly prevent the intensification of integration. In addition, Taylor also critically examines the so-called The Open Method of Coordination, which was established in 2000. This principle makes it possible the norms and standards to be agreed on at the EU level and then to be applied locally, that is to be applied as long as it is considered appropriate by national governments. According to his judgement, this method was also another way to limit the powers of the Union. In this context, he advocates the strengthening of the EU budget. Why? Budget control is also a way to limit the EU integration. Taylor reminds us that the EU budget represents only one-twentieth of the U.S. budget and states that this budget constraint would perhaps be the strongest blow to federalism. Accordingly, he concludes that there is no creation of a genuine political community as long as the EU budget is kept at that level.

The latest challenges to the model of governance in the EU are posed by globalization and further enlargement of the Union. Can one advocate in the new circumstances the argument that decisions on all important issues are to be reached by consensus or is it more rational to accept majority decision? Since they reduce the chances for reaching a consensus, they would increase the chances for outvoting. If a stronger transition to majority decision-making should come about, according to Taylor, that would increase the resistance of individual members and instead of the strengthening of European integration that would rather encourage disintegration. In the context of changes in the EU decision-making procedures, Taylor gives an extremely important observation. He thinks that it involves fusion of two principles none of which can be applied in the enlarged European Union. In his view, it is wrong to understand the EU as a federation in which in the common interest, governments accept defeat in the things that they consider extremely important. On the other hand, the EU neither represents the traditional system of government in which large countries impose their will on small states. In fact, says Taylor, the European Union is a unique system of equal and sovereign states. It is neither a federation nor a traditional system of government, but a system for reaching a consensus between sovereign states. Taylor believes that the new methodology of European administration is actually "dissolution" of integration. It is necessary to stop and overcome this process.

Taylor argues that further European integration should not have as ultimate goal the creation of a super state. In other words, we should not abolish national sovereignties but should adapt them to new circumstances. This is particularly important to emphasize to the new EU member states (the former socialist countries). Namely, most countries that joined the EU did so precisely to strengthen themselves as states

and not to "be dissolved" in a higher entity. The problem is also that the visions as to in which direction Europe should be further developed are not the same with the old and new members. New members undoubtedly are inclined to Atlantism, and as things currently stand, they are not committed to social democracy. In addition, this diversity leads to the aforementioned problem that there is no criterion on which it is possible to decide what needs to be raised to the supranational level of decision-making and what is to stay in the area of decision-making of member states. On the other hand, differences in objectives and interests of member states also prevent a stronger EU action on a wider stage. Taylor believes that it is the unwillingness of the EU members to act in concert that is leading *inter alia* to the fact that Europe is missing an important opportunity to influence the key institutions that determine economic and political life. Or, as Taylor says, the problem of the European Union is not in its weakness but in a voluntary inefficiency.

IV.

A special topic is the economic situation within the EU, where it should be noted that the economic dimension always has direct and indirect political consequences. The EU countries are facing ever tougher competition that comes not only from the U.S. and Japan, but also from China and India. The EU still lags behind the U.S. when comparing the level of productivity (one of the goals of the Lisbon strategy was the creation of conditions for the EU to become the most competitive economy in the world). Noticeable is the fact that EU industry is highly specialized in high-tech products. To illustrate, the EU share in total world exports of high technology products in 2006 amounted to about 17% and that was more than imports of these products. The European Union is still in a very high position when it comes to, as they say, "demanding market segments." These are those market segments where consumers are willing to pay a special price for a product and service of high quality (this does not include luxury products only).

The influential European analysts generally agree with the thesis that it is meaningless recommending that Europe should compete in the same way with countries whose exports of products are based on the massive use of cheap labour, that is to try to try competing with these countries in the world market with similar (cheap) products. They add that Europe can win the battle on the world export market only with high quality rather than low prices, that is only with highly-quality products that are always one step ahead of the competition. Only if such a strategy is followed, it can improve and maintain its competitive position in world markets.

In the context of the challenges resulting from globalization, there is also the issue of sustainability of the European economic model, that is the concept of sustainability of the welfare state. This topic has long been present in professional and public debate. There are efforts to liberalize the markets, as well as efforts to preserve the European model of welfare state. In relation to this question there is currently a much greater division between Member States than it was before. Asked whether the European welfare state must disappear, Taylor gives a negative answer. The author first analyzes the relationship between foreign direct investments and, as he says, "broadmindedness" of the social system. In this context, he emphasizes that

one cannot conclude that foreign direct investment went only to those places where the economy is less social (where taxes payable by companies are lower and where social security contributions for employees are lower). Taylor points out that the figures vary (changes in inflow and outflow of investments happen quickly) and that one cannot draw a firm conclusion. In his opinion, one cannot conclude that in this context everything is all right with the EU, but we can neither draw any conclusion that European social democracy is a sure recipe for economic disaster.

Paul Taylor believes that the thesis that European values and the values of the United States are the same cannot be accepted. Their separation occurred when Ronald Reagan came to power. If globalization means the imposition of certain standards, then in his opinion the Europeans should try to impose their values on a larger scale. Specifically, Taylor argues that the fact that globalization also means that it is the Europeans who have an interest in helping the development of U.S. social security system. As the Americans have a mission to spread democracy, so the Europeans, says Taylor, have a mission to spread the civilized standards of social protection. Starting from this position, he defends the thesis that we should constantly repeat that European integration (and thus its future) consists in the defence of fundamental European values, rather than facilitating different arrangements of the Member States in the outside world. Basically, Taylor is committed to reconciliation of two requirements: building a civilized society and creating conditions to meet long-term needs of the economy (high level of competition). Civilized society in this context means that there must not be an excessively large gap between the richest and poorest members of society.

V.

Special problems for the EU are related to the effective functioning of monetary union and lowering unemployment. The idea of creating a European monetary union from the beginning was followed by a big debate. Some have argued for such a development, while others expressed caution or even overt scepticism. They insisted that without a doubt the Euro zone is not an optimum currency area, as well as that a special problem in this context are insufficiently flexible European labour markets (Paul De Grauwe 2003/2004). It is worth recalling a far-reaching warning of Milton Friedman regarding the enterprise of creating the European Monetary Union. He stressed that the creation of European Monetary Union, before a European political union it has been created, will be the cause of the outbreak of the multifarious economic problems in individual states. And it is precisely these economic problems that will then hamper the creation of a political union.

Taylor noted that in the context of the debate on the increasing labour market flexibility, there is an open clash between the arguments of neo-liberals and the arguments of social democracy. The Neoliberals want more flexibility (the possibility of layoffs and the easy adaptability in lowering wages), while the Social Democrats are looking for an effective system to help workers who move from one job to another (financial assistance, retraining, different types of technical assistance in finding a new job, etc.). Commitment to flexibility is based on the view that the domestic labour force has become too expensive and inflexible. Consequently, jobs are mov-

ing from the European market to the big new markets such as China or India. If a firm cannot lay off workers without major costs when the need arises, it will not hire them at all. Taylor acknowledges the existence of this type of problem, but proposes a different (in some sense a compromise) solution. He believes that it is possible to make the labour market more flexible without at the same time impoverishing the workers. This would be achieved by having the market determine the amount of wages, but they would be further increased from the funds received for taxes. Consequently, labour costs for the company would remain low, and wages would be sufficiently high to protect a friendly ("civilized") standard of living. This mechanism involves a change of fiscal policy, and ultimately includes the need to establish a certain social consensus.

It is important to mention that the skeptics used the mobility of workers and the mass migration as part of their case against the EU enlargement. Namely, expectations were heated up that after the large expansion there would be a mass migration of workers from the East which would adversely affect the labour market of the old member states (EU responded to this by introducing "transition periods" – it suspended for a certain time one of the freedoms that underpin single market). Ultimately, there was no mass migration, and due to long-term demographic trends Europe is facing the problem of a decreasing working population. In other words, the EU will need a large and steady inflow of workers. In Europe, there have been lately more and more frequent demands for protectionism (direct or covert), that come from different groups and from different places. Although this is not a new phenomenon, there were demands for protectionism before the outbreak of the global financial crisis (it is enough to recall the panic that broke out in the European market due to the fear of invasion of the Chinese textile industry). Proponents of European protectionism most often justify them with the need to protect domestic production, and ultimately to protect the existing jobs.

Verheugen (Verheugen 2005) noted that Europeans are seeking such economic and financial policy that would guarantee jobs. In this context, they expect much more than Europe can deliver. Namely, the authorizations that are necessary for it are in the hands of Member States and not in Brussels. Verheugen goes on to say that this position is actually paradoxical. The Europeans ask for "more Europe" where Member States are least willing to give up their jurisdiction. Verheugen speaks of the "myths" that the EU citizens need to overcome, i.e. the myths which should be abandoned as soon as possible so that a different vision of Europe might be built. One of those myths is the already mentioned mass influx of workers that will supposedly lead to overpopulation with all the negative (political, economic and social) consequences that follow from it. He believes that the basis of this attitude lies on a mistaken theory that the policy of open markets will lead the European economy to lose the existing competitive power. The truth is, says Verheugen, quite the opposite. In this context, he points out that without open markets of other countries, Germany would not be able for its products to achieve the economic progress it has made.

To solve the problems it is facing, the EU must achieve stable economic growth. In the present circumstances there is no economic growth without high com-

petitiveness of European economies, that is, without mass innovation. Achieving this goal involves the establishment of a new list of priorities. And priority setting implies that there is agreement regarding the key objectives and that there is a common vision of moving forward. All in all, the EU is facing the challenge of global competition (in all of its aspects and with all the short-and long-term consequences) and is trying to answer this challenge properly. This process leads to wandering and wavering, and a particular problem is related to different interests that inhibit establishing a common list of priorities. Previous European experience has shown that finding the right answer to globalization and its effective application are not at all simple activities.

VI.

The history of European integration can be described as a struggle between those who felt that integration should be approached cautiously and others who believed that integration should be approached more ambitiously. Currently, among the EU members there is no consensus on further integration strategy. There is no consensus on whether to go to a deeper integration or not, and those who are advocating a stronger integration lack political power to impose their will. Is it possible to create a supranational Europe? Is there a chance that the existing tendencies of Europe's disintegration be changed? Let's see what Michel Foucher thinks about this!

Foucher thinks that the EU is facing two options for future development. The first is the so-called liberal option. Under this option, the Union would remain an economic unit, but that unit would only be one of the pillars of Euro American market in global competition. The logic underlying this option is clear: a large market is base for companies operating globally. Some politicians even suggested creation of a transatlantic free trade area. The idea is to preserve the existing industrial base in Europe and the United States before the unstoppable economic dynamism of Asia. This, says Foucher, means that the process of deregulation will prevail in the end. As a result, the Union will lose its strength and ability to respond to the challenges of globalization, and this will weaken the already quite shaken ties between member states. Another option is tantamount to the view that the EU should build a doctrine of globalization starting from the growing market with elements of "a social Europe". According to this concept, the Union will survive only if the market is regulated according to "European standards" and if it continues to promote European interests. In short, this approach requires a regulation that calls for close cooperation between governments, unions and parliaments.

Taylor points to several possible scenarios. The first is tantamount to the dissolution of the existing EU regulation. This means that the systematic subsidiarity is to be applied in this process, which basically removes the challenge of supranationality. This would mean trade liberalization and reduction of state intervention in the economy. This outcome is really in his opinion the "program of Anti-Europeans". The second scenario is a successful adaptation of the Union Agreement to all members, but at a higher level of integration. In this scenario, a mechanism would be sought to achieve a compromise between national independence and supranationalism. A third scenario is an attempt to achieve such a form of Europe that moves to an

ever stronger unity of peoples. Taylor describes this scenario as a continuation of the traditional way.

It has been widely argued in this book that the European integration is undoubtedly in a serious crisis. How would it be possible to overcome it? Taylor speaks of the "New European project". First of all, it should be noted that this is a project that is essentially political and not economic. Such a project should start from a common European defence and social policy that would be based on a higher degree of solidarity. But how and why create a European army when there is no agreement on key European interests and potential alliances? In addition, we need a new theory of integration (new normative theory). It would be crucial to defend European values (European values are not accepted even in Europe) and that increases the sense of common destiny. Taylor believes that the European Union has become a framework within which the so-called old community is losing its importance. Consequently, he also advocates the fact that France and Germany take up an active hegemony role, and reaffirm it. The New European project must find a way to deal with two types of challenges. The first is the threat of social democracy, and the second is the weakness of the EU as a consequence of the absence of European strategic capacity.

Instead of a conventional conclusion, Taylor gives predictions about what historians will say of the EU in 25 years, showing thus his view of what the near European future will look like unless it overcomes its current challenges. According to his opinion, the failure of the European Union will be treated as an inability to get out of a joint multistate governance system which is turned into itself. In other words, future researchers will conclude that the EU has failed to create an entity that would be capable of defining its own interests on the international scene. The future researchers, says Taylor, will establish that the EU failed to grow into an international power, and that the attraction of a common market still exists, but that the importance and weight of its market will have been taken away by the markets of China, India and Russia. In short, they will establish that European countries have failed to impose a European order and European values to the international community. Integration has not reached the stage where there is an awareness of common fate, without which there can be no building of a closer community of nations. The formation of such a community and its successful functioning is considered by Taylor a prerequisite for the EU's leading position on the world stage in this century.

VII.

While we are finalizing a brief overview of key ideas of this well-conceived, skilfully executed, very interesting and stimulating book, the events within the EU are gaining pace. Their intensity and the speed at which they are taking place, as well as the unforeseeable consequences in its wake, have surprised even those who are well acquainted with these areas. The challenges the EU is currently facing are tougher than they appear at first glance. Will Europe be able to overcome the risk of rejection of everything that has been created over four decades? There is a profound crisis of European finances, Euro crisis, a crisis of the key European institutions, a crisis of vision and perspective, a crisis of its form of economy and, without doubt, a crisis of democracy. In various segments the matters have gone much further than this book

pessimistically predicted. Given all that, and the fact that Serbia has yet to develop essential professional and public debate on the European Union (currently, there is much less knowledge and lot more different kinds of bias), translation of Paul Taylor's book has appeared at the right time.

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