Rocking the EU: Five Crises and the Fate of the European Union

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Resumen

La Unión Europea se encuentra en crisis durante los últimos 7 años. Primero fue la Euro-Crisis de 2010; luego vino la crisis de refugiados con cerca de un millon de ellos solamente en Alemania en el 2015; luego los ingleses votaron para dejar la Unión Europea en 2016 (el llamado Brexit). En todos estos momentos se estimuló a la derecho cuando los partidos de tendencia anti-inmigrante crecieron en fuerza en cada uno de los países europeos. Otra situación brotó cuando la Unión Europea y sus estados miembros tuvieron que contender con la anexión de Crimea por Rusia junto con la agresión a la Ucrania del Este, porque Putin lanzó diversas amenazas contra Europa del Este, incluyendo a Estados miembros de Europa. Este escrito examina cada una de estas crisis y discute sus implicaciones para la estabilidad de la Unión Europea y su misma existencia actual en la situación presente y su proyección hacia el futuro.

Palabras clave: Crisis, Unión Europea, Inestabilidad.

Abstract

The European Union (EU) is in crisis during the last seven years. One of them was the Euro-Crisis in 2010; then came the refugee crisis with nearly one million refugees to Germany alone since 2015; then the British voted to leave the EU in 2016 (the Brexit). In all these moments it came a fillip to right wing when the anti-immigrant parties increased their strenght in nearly every country of the EU. Another situation came when the EU and its member states have had to contend with Russian annexation of Crimea and aggression in Eastern Ukraine, as well as Putin's threats against Eastern Europe, including member states of the EU. This paper examines each of these crises and discusses their implications for European Union stability and its very existence now in the present situation and the prospects for the European project in the future.

Key words: Crisis, European Union, Instability

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Introduction

The European Union, EU, has been rocked to its foundations by a cascade of crises in the last seven years. First the Euro-Crisis beginning in 2010; then the refugee crisis that brought over nearly one million refugees to Germany alone since 2015; the British voted last year to leave the EU, Brexit; all these gave a fillip to right wing, anti-immigrant parties in nearly every country of the EU. Lastly, the EU and its member states have had to contend with Russian annexation of Crimea and aggression in Eastern Ukraine, as well as Putin's threats against Eastern Europe, including member states of the EU. This paper examines each of these crises in turn and discusses their implications for European Union stability and its very existence in its present form and the prospects for the European project.

Euro-Crisis

The Euro-Crisis began in April, 2009 when the EU ordered France, Spain, Ireland and Greece to reduce their budget deficits as in November concerns about some members' debts started to grow following the Dubai sovereign debt crisis (BBC, June 13, 2012). In the following month Greece admitted it debts had reached the highest ever, though the Prime Minister insisted Greece would not default on its debts (Ibid). Nevertheless by May 2010 the Eurozone members and the IMF agreed to a bailout package to Ireland (Ibid). After denying Portugal would be next, in May 2011 a bailout was approved for Portugal and a second bailout of Greece was agreed (Ibid). By August the European Central Bank, ECB announced it would buy Italian and Spanish bonds to bring down their borrowing costs (Ibid). Both countries adopted austerity budgets while Greece was pressured to do the same. In September EU head Jose Manuel Barroso warned the EU was facing it greatest challenge (Ibid). The next month the ECB announced emergency loans to help banks while G20 finance ministers met to continue efforts to find a solution to the debt crisis in the Eurozone (Ibid). The latter included a proposal to establish an inter-governmental treaty containing new budgetary rules to take on the crisis Ibid). At this point one can note the resort to intergovernmental measures, a point developed later. Throughout 2012 talks continued, culminating in new rules making it harder to break budget deficit limits (Ibid). The rest of the year saw Spain and Italy see their borrowing costs increase while concerns grew that France as well as Italy may need a bailout (Ibid).

One view is that the huge increases in debt from 2007 to 2010, coinciding with the great recession, was brought on by a fall in housing prices leading to large losses by the banks (Economics Help, July 10, 2014; Alphaville, February 6, 2015). The problem was exacerbated by the lack of a strategy on the part of the EU and the absence of a lender of last resort (Economics Help, Ibid). The ECB initially said it wouldn't serve in this capacity (Ibid). The recession and credit crunch caused a rapid rise in government debt, particularly severely in Greece, Ireland and Portugal (Ibid). Consequently there was tremendous pressure on the Euro, but no easy way to leave the common currency (Ibid). The ECB held a great amount of sovereign debt and default would have put at risk its very existence (the balance, August 19, 2016). The political fallout in domestic politics is addressed in the rise of anti-austerity and anti-EU parties in a later section.

Refugee Crisis

More than a million migrants crossed into Europe in 2015 producing crisis for individual countries and division within the EU over how to deal with this mass influx (BBC, May 4, 2016). The vast majority of refugees are from Syria, Afghanistan, and Iraq, as thousands flee the violence in those countries (Ibid). Germany has received the most, more than a million, with nearly a half million applying for asylum (Ibid). Hungary is second (Hungary's reaction to this movement of people into and through the country is addressed later). The EU average numbers of refugees per 100,000 of own population is nearly 1,800 in Hungary with Sweden closely second with nearly 1,700 (Ibid). For Germany the figure is nearly 600 and for the UK 60 (Ibid). The EU average in 2016 was 260 (Ibid). As a consequence of the disproportionate burden faced by some countries tensions have risen in the EU and particularly in those countries receiving the majority of migrants, Greece, Italy, and Hungary (Ibid). EU ministers approved in September, 2016 a plan to relocate 160,000 refugees EU-wide but the plan for now will only apply to those who are in Italy and Greece (Ibid; European Commission, 2016). Another 54,000 were to be moved from Hungary but the government rejected the plan (BBC, Ibid).

In the Schengen area, where people may move freely without border controls, some member states have reinstated checks at their borders with other EU countries (European Commission, Ibid). The EU has recently reached an agreement with Turkey, involving swaps of refugees, expected to stop the uncontrolled flow of migrants from Turkey to Greece (Ibid). This agreement calls for "irregular" migrants arriving in Greece to be returned to Turkey, while the EU will take in Syrians for Turkey who sought to make the journey in a "regular" way (Ibid). Nevertheless the basic principle remains the same: people should apply for asylum in the first country they arrive, unless they have family elsewhere, but if a member state is overwhelmed there should be "solidarity and a fair sharing of responsibility" within the EU (Ibid). So far this has been difficult

to implement. One problem is that many Europeans fear the influx of refugees will increase the risk of terrorism while posing an economic burden on their countries (Pew Research Center, September 16, 2016). These findings are widespread but particularly strong in Hungary, Germany, Netherlands, and Italy (Ibid). These views are especially strong among those with negative views of Muslims (Ibid). The related rise of anti-immigrant and anti-EU parties is elaborated on later. A great many Greeks, Italians, and Hungarians, Poles, and Dutch say diversity makes their country a worse place to live, though there are slightly more positive views in Sweden and in Spain (Ibid). But in every country a vast majority are unhappy with the EU's handling of the refugee crisis (Ibid).

Brexit

The driving issue behind the British voters opting to leave the EU was immigration, half of whom come from other EU countries (BBC, March 1, 2017). Poles constitute the largest number by far, over 800,000 by December, 2014, followed distantly behind by Ireland, then roughly equal numbers of Romanians, Italians, and French (Ibid). To note, hundreds of thousands of UK migrants live in other EU nations, particularly Spain, Ireland, and France (Ibid). Britain leaving the EU raises serious questions about the fate of those Britons living in other EU countries and of EU nationals living in the UK (Ibid). Pro-Brexit advocates insisted that it was necessary to protect, or restore, the country's identity, usually expressed by opposition to immigration (Traub, New York Times, June, 20, 2016). The debate also cut along class lines, with support for leaving especially strong among those with less education and lower incomes (Ibid). In other words Brexit is a "vessel for anti-establishment and anti-elite feelings" aimed at the mainstream parties as much as at the EU (Ibid). The victory for Brexit has numerous significant ramifications for the UK and the EU, which is discussed below. It can be noted here however that Brexit can and has spurred the Scottish Parliament to vote for a referendum on a "Scexit," where Scotland would leave the UK and join the EU as an independent member state (Ibid; CNN, March 29, 2017). Also discussed at length below, Brexit has given momentum to anti-immigrant parties across Europe (Telegraph, June 24, 2016).

Apart from the effect of Britain's withdrawal on the EU's economic interests (16% of EU goods are exports to the UK), the EU's political interests are also at risk (Patel and Reh, n.d.). In particular is the risk of "contagion," where, in a worst case scenario Eurosceptic forces in such countries as Denmark, Austria, and Sweden follow the UK and pressure their governments to hold referenda on continued EU membership (Ibid). This could lead the EU, led by Germany and France to establish political considerations as their priority over economic considerations (Ibid). Thus one consequence of Brexit may be for the other EU member states to respond to the crisis by pursuing further integration (Olivier, n.d.). One scenario sees the emergence of a core Eurozone union as one in overlapping organizations managing European relations (Ibid). In any case within the EU Germany's position is strengthened without Britain as a balancing force (Ibid). Nevertheless without Britain the EU's "soft power" is diminished, damaging further the EU's regional and geo-political "punch" (Buiter, Rahbari, Schulz, VOX, March 2, 2016).

Rise of Anti-EU Parties

Even before Brexit and the Eurocrisis, or the refugee crisis, far right anti-EU parties have been challenging the mainsteam parties on the issues of immigration and membership in the EU (Carroll, June, 2014). Still all three, Brexit, Eurocrisis, and refugee crisis and immigration have invigorated these parties and created a more attentive public. These parties are rising across Europe (Express, n.d.; BBC, May 23, 2016). A description of each by country provides a broad look at the phenomenon.

The largest is the Freedom Party in Austria (35.1% in the last election, where leader Norbert Hofer was set to possibly win October's presidential election, followed by Marine Le Pen's National Front in France (14%) and Geert Wilder's Party for Freedom in the Netherlands (10%); and Slovakia's Our Slovakia (8%) (BBC, Ibid). Far right nationalist parties have also been surging in Denmark, Danish Peoples Party (21%); Sweden, Sweden Democrats (13%); and Finland, the Finns (18%). (Ibid). Hungary's Jobbik (21%) and Switzerlands's Swiss Peeoples Party (29%) are either now in government, Switzerland, or provides essential support to a conservative government, Hungary (Ibid). In fact the Jobbik party is now the third largest party in Hungary (Ibid). In Italy the anti-EU party is the Five Star Movement (Express, n.d.). Smaller but growing parties are also to be found in Greece, Golden Dawn (7%); Cyprus, ELAM (3.7%); and even Germany, Alternative for Germany (4.7%). The latter has done worryingly well in recent state elections (BBC, op cit) and could affect the outcome of this year's general election.

Marine Le Pen is expected to come in first in the first round of the upcoming Presidential election, but not the runoff. The Alternative for Germany (AfD) was actually founded by economists opposed to the Euro but has drawn more support from its strident opposition to immigration and to its leader Franke Petry (BBC, Ibid). Growing dissatisfaction with Angela Merkl's open door policy for the Syrian and other refugees has propelled the AfD to winning seats

in half of the German Lander parliaments (Ibid). The governing coalition in Denmark depends on the Danish Peoples Party's support (Ibid). In Finland the Finn's leader is Foreign Minister in a coalition government, while in Sweden the Sweden Democrats, the third largest party, is shunned by other parties in the Riksdag (Ibid). Recall that Sweden has taken in the second largest number of refugees after Germany. Italy's Five Star Movement has called for a referendum on the single currency (Express, op cit). Geert Wilder's Party for Freedom's strength in the March Dutch elections would be seen as a "bellweather" for how well anti-EU far right parties will do in France, Germany, and possibly Italy later the year (Rubin, New York Times, February 27, 2017). Whether he wins or comes in second he has already pushed Dutch politics to the right and made possible a discussion about "shutting down immigration and dismantling the EU," a conversation that would have been unimaginable not all that long ago (Ibid).

"Rocking the EU"

Each of these crises would by itself have had major repercussions on the EU; simultaneously they have rocked the EU to its foundations. Beginning with the Eurocrisis, responding to this crisis has resulted in a shift in decision making, setting and monitoring compliance with budgetary demands, to the executive European Council and reducing the European Parliament, EP, and national parliaments to mere observers (Dawson and de Witte, 2013). New entities were created, the temporary European Financial Stability Facility, EFSF, and the permanent European Stability Mechanism, ESM (Ibid). In the view of two observers, these developments have upset the Constitutional balance in the EU (Ibid). The substantive balance has been destabilized by circumventing the EU's limited authority in affecting redistributive policies (Ibid). Decreasing the "voice" of weaker interests and representative institutions has altered the institutional balance (Ibid). A loss in protection of smaller and poorer member states (Greece, Portugal) and their citizens from majoritarian tendencies has threatened the spatial balance of the EU (Ibid). Two other authors have described the "path dependent" development of the crisis, where institutional creation at the outset determined the options at subsequent steps (Gocaj and Meunier, 2013). Specifically the creation of the ESFS and ESM established intergovernmentalism as the mode of decision making (Ibid). All this impacts the democratic bona fides of the EU response and exposed the "fault lines" within, specifically the North/South split and separation between countries inside and outside (UK, inter alia) the Eurozone (Glencross, 2013).

While EU officials and diplomats have averred that the refugee crisis is now effectively managed (Traub, October 18, 2016), there are serious questions whether the deal reached with Turkey, to detain and swap refugees in return for billions of Euros and increased access to the EU will work. Recent anti-democratic actions by the Turkish President lead to EU criticism, while Erdogan threatens to abrogate the agreement. So far in any case few refugees have been returned, leaving thousands stranded in Greece, adding to that country's already dire financial straits (Ibid). In September of 2015 the Council agreed to a quota system for accepting refugees, but four Central and Eastern European countries, including Hungary, opposed the policy and it was largely ignored (Ibid). As with the Eurozone crisis, the refugee crisis illustrated that where national interests and national sovereignty are implicated "there is no such thing as 'Europe,'" only individual states (Ibid). The refugee crisis moved from humanitarian crisis to political crisis (Ibid). Thus the refugee crisis and broader resentment of immigrants fed directly into the cause of Brexit and the rise of anti-immigrant and anti-EU parties.

The impacts of Brexit were discussed earlier, but again can be noted it will affect the EU's institutions and decision making procedures, for example Qualified Majority Voting on the Council, representation and party balance in the EP, and the balance of power within the EU (Patel and Reh, op cit). A collapse of the EU itself is a worst case scenario (presented by a Brexit contagion and rush for the doors (Ibid). Alternative scenarios include a weakened EU with the potential for unravelling or less drastic a core Eurozone union as one of a series of overlapping organizations in Europe (Olivier, op cit). Alternatively the EU could muddle through, where the EU is still Europe's predominant political organization but struggles over intergovernmental and supranational responsibilities remain (Ibid). Finally the EU could end up more united without a recalcitrant Britain, with a clearer leadership, though its military potential is more limited without the UK (Ibid).

Finally, putting strain on the EU, both internally and for joint action with the US is Russia. The sanctions regime, in response to Russia's annexation of Crimea and aggression in Ukraine, could weaken or fall apart, not least depending on the approach taken to Putin's threats by the new Trump Administration. This challenge too puts pressure on the internal unity of the EU and its ability to speak and act with a single voice.

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