Future prospects

Europe is in crisis, yet it continues to make headway. This has been our recurrent refrain every year since the turn of the millennium. To explain the apparent paradox, we believe it is necessary to revisit two of the most important issues that Europe has faced over the past few years: the Lisbon Agenda and the constitutional Treaty.

It has long been stressed by many observers that the building of Europe is not a homogeneous process. The Union is not a monolith, but is being constructed ‘chapter by chapter’: monetary union, foreign policy, social policy, judicial cooperation, etc. Accordingly, each sectoral configuration of the Council of the European Union – and they were quite numerous before being grouped together in 2002 – used to follow its own logic and its own agenda, to some extent semi-detached from the overall approach. The Lisbon Strategy was in part a response to this fragmentation, an attempt to join up all the sectoral policies (in particular macro- and micro-economic policies with employment policies) and form a cohesive whole. Coordination of social protection has until now been relatively autonomous. Another feature of the Lisbon Strategy was to confer on the Heads of State and Government, meeting in the European Council, the responsibility for coordination which had previously been exercised de facto by the Council of Economic and Finance Ministers (Ecofin). Until 2004-2005, when it was called into question by the Kok Report and by Commission President José Manuel Barroso, the Lisbon Strategy was regarded as the driving-force behind the building of Europe, enabling the EU to avoid institutional crisis by focusing on its ‘core business’.
The paradox can also be explained in terms of the debate about the constitutional Treaty. The accelerating pace of European integration, ever since the Single European Act of 1986, has necessitated continual revisions of the founding treaties: five revisions in the space of twenty years, or a new treaty every four years on average. Some of these revisions have redefined the political objectives of the Union (single market, single currency, political union, etc.); others have sought to rewrite the rules of the game and stabilise the Community edifice. The most recent one – the draft Treaty establishing a Constitution for Europe – was intended above all to bolster a sense of European identity. At a time when the Lisbon agenda was starting to be reconsidered, the drafting of the constitutional Treaty was in a sense seen as proof of the enlarged Europe’s ability to overcome its differences. And we all know what became of it.

2006 was therefore characterised by this dual crisis over what should have been two coordination mechanisms: the Lisbon agenda and the constitutional Treaty. The crisis spawned a proliferation of very general talk and references to ‘what the citizens really want’. But such declarations have little to do with reality on the ground and certainly do not clarify the overall political project for the European Union.

In the meantime, regardless of this overall crisis, progress is still being made on a sector-by-sector basis: the internal market in services has been launched, as has the REACH Regulation on a more careful use of chemicals (less ambitious than originally planned, admittedly, but it might one day become an international frame of reference). There is more discussion than ever about a common energy policy – a long-standing issue that first arose at the time of the oil crises of the 1970s –; major steps forward have been made in the fields of police and judicial cooperation as well as asylum and immigration; the European Union is taking the lead in global efforts to combat climate change; it also seems likely to become the ‘champion of human rights’ in the world (1). So, even though ‘Europe’ as a whole is faltering, its activity in specific areas

---

1 See the annual report of the NGO Human Rights Watch (HRW), published on 11 January 2007.
Future prospects

This sectoral, pragmatic approach moreover constitutes the credo of those who advocate a Europe of projects (as opposed to a project for Europe). From this perspective, one would merely need to await (hypothetical) better times to launch a more global project – especially because in 2006 the economic prospects seemed promising, growth rates were high in most of the new Member States and inflation was falling. Paradoxically, this state of affairs feeds into the prevailing wait-and-see climate. Europe as an economic project appears to be functioning; Bulgaria and Romania are being integrated without too much of a fuss. What more could one want?

1. Two stumbling-blocks

Two stumbling-blocks nevertheless stand in the way of this passive approach. The first is that the very heart of the project – monetary union and its symbol, the euro – has been enveloped by disenchantment, eight years after its inauguration. A succession of opinion polls (1) has revealed that a majority of European citizens no longer perceives the benefits of the euro for their country. This shift in public opinion can be seen in conjunction with the setbacks over the constitutional Treaty and Lisbon-style coordination: monetary union requires Europe to be stronger as a political entity and economic policies to be better coordinated. That does not mean creating a European State in the mould of the nation-state but does, at the very least, mean establishing efficient, transparent decision-making systems. One example of a step in the right direction, albeit still minimalistic, is the election of a Eurogroup Chairman for a two-year period. The absence of any tangible institutional prospects is weakening monetary union by failing to situate it within an identifiable political project and hence depriving it of both meaning and direction. Added to that, the European Central Bank is opting out of social and wage policies, thereby strengthening the impression that the project has become an exclusively liberal one.

The second stumbling-block identified by several contributors to this volume is the self-effacing role of the European Commission, both in

---

1 See for example the Financial Times of 29 January 2007.
general and particularly in the field of social affairs. Yet a vessel with 27 sailors has need of a helmsman – someone to propose, innovate, take risks, and not just go along with preliminary compromises whose only merit is that they faithfully reflect the lowest common denominator. The Commission’s absence from policy debate is increasingly noticeable but not in fact new. Previous Commissions, however, were able to benefit from the force of inertia of the internal market and then monetary union. In the social policy field, for instance, the provisions of the Community Charter of Fundamental Social Rights of Workers (1989) made it possible to devise a minimum legislative programme. Thereafter, the European Employment Strategy and the open methods of coordination created an illusion of progress. Since then, for want of any innovative projects, the force of inertia is no longer sufficient. Hardly any legislative proposals are being put forward in the social policy field nowadays, and the European Employment Strategy has been marginalised within a new Lisbon agenda centred on economic concerns. European social dialogue, for its part, has become bogged down. The Ecofin Council has won a ‘victory’ in this context by managing to appropriate the main elements of the employment debate, coupling it with the subject of ‘flexicurity’ – in other words, above all else, flexibility (3).

It is hardly surprising, given the lack of political direction and social prospects, that the key project – monetary union – can no longer rally support from EU citizens.

2. Breaking the deadlock

Given these obstacles, and in view of the deadlock at least in the social policy field, would it be a good idea to promote enhanced cooperation revolving around monetary union? This idea was first mooted more or less in parallel with the Maastricht process and has often been regarded as an alternative – perhaps the only alternative – to a Europe which is

---

3 The reason why the Danish example is taken as a model at European level is that it is flexible. Sweden for instance achieves the same results in terms of jobs but with a much less flexible labour market. This other example is of course devoid of all interest for mainstream economists.
still expanding but has almost entirely stopped deepening. Certain conditions would however need to be met in order to achieve enhanced cooperation. All thirteen members of the euro zone would need to take part: thus, the ruling political parties in each of those countries would have to be in favour of deeper cooperation (but the more time passes, the more the euro zone will expand, so that meeting this condition will become ever more difficult). Besides, it would seem impossible to launch any such project without the six founder members and without strong backing from the largest euro zone countries: Germany, France, Italy and Spain. Since monetary union is an open process, enhanced cooperation would furthermore have to cover not only broad principles but also specific goals. That is to say, it is no longer enough to state that taxation must become subject to qualified majority voting in the Council; the precise content and policy objectives of fiscal coordination must be spelled out too.

Furthermore, history teaches us that, without a crisis or the threat of a crisis, inertia often prevails over the desire for change. That is why crisis or breakdown scenarios should not be avoided, even if there is little likelihood that they will actually occur. As we wrote in our introduction, the European Union does not currently have ambitions to match its resources. In other words, its political resources are in theory greater than its current capability to act and exert influence both at home and on the international scene. At the risk of causing a crisis, these resources must be mobilised in full so as to confront the challenges, both internal – economic and social cohesion in an enlarged Europe; convergence in step with progress – and external – international governance in the multi-polar world of the future; definition of a new paradigm of sustainable development which attaches priority to combating growing inequality and global warming. If the Union and its Member States set themselves ambitions to match their resources, institutional or constitutional solutions will follow. But since such ambitions are clearly not shared by all, the EU is compelled to choose between moribund consensus and creative crisis.

Crises, if they are to be creative, must be anticipated and prepared for. In 2006, no one could predict the outcome of the constitutional crisis; all that was obvious was that there would be a new Treaty in the medium
term. 2009 is the date put forward by some, a date corresponding to the
next European elections and the inauguration of a new Commission.
Talks will then begin on the financial perspectives for the period
beyond 2013. In political terms, therefore, the years between 2007 and
2009 may be a period for the clarification of Franco-German ambitions
ahead of these events, in the wake of the French elections of 2007.
However, if France and Germany (accompanied by Spain and Italy) do
manage to propose a positive way out of the constitutional stalemate,
the United Kingdom will be put on the spot. The prospects for Europe
appear bleak indeed in London: the replacement of Tony Blair by
Gordon Brown could stall any attempts to reinvigorate the Union (9).
What is more, a comeback by the Conservatives under David Cameron
at the next general election would once and for all bury the plan to ‘put
the United Kingdom at the heart of Europe’ (i.e. a UK withdrawal from
the EU’s institutional structures would become plausible). The options
then would be protracted deadlock – diplomatic, institutional and
ultimately budgetary – or else a total rethink of the UK’s role within the
Union. Many questions would of course remain unanswered in any such
scenario: what would the Netherlands do? Would Italy manage to
overcome its instability? What attitude would Poland adopt? Would the
need to make further headway be shared by a broad majority of the
Eurogroup countries? Would the gap between ‘old’ and ‘new’ Member
States be bridged on matters of common interest?

Concerning this last fundamental question, one fresh development gives
grounds for a degree of optimism. On 14 February 2007, nine Member
States – both old and new (5) – signed a declaration entitled ‘Un nouvel
élan pour l’Europe sociale’ [A new lease of life for Social Europe]. In it they
state that it is necessary ‘to link the institutional re-launch to a revival of
the “Social Europe”, to “strengthen the European social model”, to
attach priority to combating unemployment and to support European
social dialogue. It has to be admitted, in fact, that global labour market
competition no longer results solely in the caricatured image of the

---

4 See in particular Le Monde of 13 February 2007 (‘Mr Blair’s designated successor,
Gordon Brown, prepares to block the constitutional revival of the EU’).

5 Belgium, Bulgaria, Cyprus, France, Greece, Hungary, Italy, Luxembourg and Spain.
Future prospects

Polish plumber in the ‘old’ Member States; the Ukrainian plumber is likewise moving into Poland. Some of the new States are already facing problems generated by a brain-drain of young skilled workers, with the risk that entire regions will become economic and social wastelands. Relocation no longer affects only the old Member States but also the new ones, where migration flows are both entering and leaving. Optimistic talk about the successes of liberalism in the east is being disproved by new social imbalances for which the European project could eventually pay the price or which could, on the contrary, help consolidate it. For that to be the case, however, old and new alike must reassert with one voice that this project is built on cohesion, regulation and solidarity. The establishment of a European Globalisation Adjustment Fund, on 1 January 2007, is innovative in this respect, especially on account of the discourse underlying it: a discourse which stresses the asymmetry between the overall benefits of globalisation on the one hand and, on the other, its detrimental effects on particular sectors and regions.

If the European Union accepts that European and global integration creates losers, and if it stands by its original goal of solidarity among peoples, then it must set itself ambitions to match its resources. And from this point of view, new windows of opportunity just might be opening up in 2007 – at the risk of triggering an existential crisis.