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Introduction

The European Union (EU) has been subject to unprecedented crises and challenges in recent years. The nature of these crises and challenges, the approaches adopted in attempting to tackle them, and their implications for the operation of the EU are explored at various places throughout this book. However, an overview of them is given in this chapter so as to enable, from the very outset of the book, their features, their inter-relationships, and their significance to be understood.

The recent crises and challenges are not the first to have been faced by the European Community (EC)EU in its history of now 60 plus years – dating the start of this history to the 1952 treaty that created the European Coal and Steel Community (ECSC). Previous crises and challenges have included:

- The 1965–66 ‘empty chair’ crisis, when France – in protest against a number of perceived supranational developments in the EC – all but withdrew from active participation in Community decision-making institutions.
- The ‘eurosclerosis’ period of the late 1970s and early 1980s, when much-needed decisions, especially on the internal market, could not be made because the prevailing decision-making rules and norms required unanimity in the Council.
- The budgetary crises of the early-to-mid 1980s, when the financing of EU policies came to be questioned, especially in relation to the ‘disproportionate’ UK contribution.
- The treaty crises of the 1990s and 2000s, when ‘constitutional advances’ were threatened following the rejections in national referendums of the Maastricht, Nice, Constitutional, and Lisbon Treaties.

However, serious though they were, none of these past crises and challenges were on the scale of those of recent years and none resulted in the EC/EU experiencing such turbulent times. Past crises and challenges were focused...
around specific issues – most commonly, the supranational/intergovernmental balance between EC/EU institutions – but the recent crises and challenges have been multidimensional in nature. They have also been unprecedented in the severity of their implications, bringing into question the very nature of the European integration process and the appropriateness and competence of the EU as a functioning political and economic system. In short, the recent crises and challenges have been truly ‘system-challenging’.

There has naturally been much overlapping and many interconnections between the varying dimensions of the recent crises and challenges. Nonetheless, it is useful – for clarification purposes and for assisting a furthering of understanding – to group each of the main dimensions under its own heading. The organisation of the chapter is thus based on the varying dimensions.

**The Economic and Financial Crises and Challenges**

When reference is made in a general way to ‘the EU crisis’ or ‘the EU’s crises’, it is normally the ‘economic and financial crises’ that are in mind, or perhaps just the ‘eurozone crisis’ which has been the most prominent crisis within the crises. The eurozone crisis has been the most high-profile dimension of the crises because the creation of the euro, which most EU member states now use and which all non-eurozone states – apart from Denmark and the UK – have a treaty obligation to eventually join, is widely seen as being one of the EU’s most important policy achievements. The possibility that has existed since 2007–08 that one or more of the eurozone’s members might have to exit the single currency system, and that the system itself might not be sustainable, has raised questions not only about the viability of the eurozone but also about the EU itself. This is because a serious undermining of one of the EU’s core policy accomplishments would show the EU to have an inadequate system of governance.

The eurozone crisis has, however, been but one element, albeit the element on which most attention has been focused, of three – interrelated and overlapping – dimensions of the wider economic and financial crises.

**Poor economic performances**

After relatively high economic growth in the 1980s and 1990s, the economies of most of the eurozone states performed relatively poorly in the early years of the new millennium, with Germany being the most important exception. Economic growth and investment rates were generally low, unemployment rates were high, and there were insufficient structural reforms of production practices – especially regarding the operation of labour markets. These features resulted in, amongst other things, most eurozone economies losing relative competitiveness and levels of government debt rising.

As the economic and financial crises intensified, so then were poor economic performances exacerbated, especially in weaker eurozone states. The most eye-catching aspect of these poor performances was high unemployment levels, which peaked at 27 per cent in Spain in 2013 and in Greece in 2015.

The poor economic performances were important both in themselves – not least because of the social disruption they caused – and as a major contributory factor to the banking and ensuing sovereign debt and eurozone crises that came to dominate EU affairs from 2007–08. They significantly contributed to the crises because low economic growth increases governmental expenditure (social welfare payments are higher) whilst at the same time limiting the ability of governments to increase income.

**The banking crisis**

In response largely to rapidly rising property prices and low borrowing rates, and assisted by light governmental regulatory controls, many banks in the EU over-lent in the mid-to-late 2000s. That is to say, they engaged in risky lending behaviour for which they were not adequately capitalised. This over-lending became sharply exposed from 2007–08 when the property boom came to an end, debtors were unable to repay loans to banks, and the collapse of the US subprime bank Lehman Brothers in 2008 raised questions about the financial exposure and vulnerability of many European banks, especially eurozone banks (because many banks had grossly over-lent and there were doubts about whether their governments would/could provide them with bailouts). The banking crisis
became particularly acute in Ireland, Greece, Cyprus, Portugal, and Spain.

In this situation, bank depositors naturally became anxious, which led to large and damaging capital flights from particularly weak banks and banks based in states with weak economies. The governments of the states that were particularly hit by the banking crisis felt obliged to intervene so as to save their failing banks and to maintain the credibility and integrity of their banking systems. However, this intervention involved very great increases in public, or sovereign, debt, which resulted in the financial systems of the states concerned appearing to become precarious, which in turn resulted in a downgrading of their national bond holdings (which meant they had to promise a higher yield on the loans they had to take out to bail out their banks). This meant they had less money available for other purposes – including stimulating their economies. There was thus what the European Council President, Herman Van Rompuy, called ‘a vicious cycle between banks and sovereigns’ in which government support for banks directly created sovereign debt problems.

The vicious cycle would not have existed had it been possible for EU bailouts to be made directly to banks but – because primarily of concerns about the rigour of some national regulatory standards – Chancellor Merkel insisted that they be made to national governments. This impasse was eventually politically resolved at the June 2012 European Council meeting when Germany agreed to the use of EU funds to directly recapitalise banks, subject to them being more centrally controlled and supervised – and thus not being able to act irresponsibly again. Thus were laid the initial foundations of what has come to be called the European Banking Union (EBU).

The EBU was created with the purpose of making banking across the EU, but especially within the eurozone, safer and sounder by laying down harmonised banking standards and centralised arrangements for bank supervision and resolution. Given the high political sensitivities associated with these matters, the new system took some time to be established. Foremost amongst the problems were inter-member state and inter-institutional differences over such key questions as which parts of the banking union should apply to all EU states and which only to eurozone states, and what should be subject to EU/eurozone regulation and what could be safely left to national regulators? In consequence of such differences, the banking union that was agreed between 2012 and 2015 remains more fragmented along national lines than it presents itself as being. Nonetheless, important rules have been put in place.

The banking union is based on a single rulebook, which consists of a set of legislative texts with which all financial institutions in the EU (including over 8,000 banks) must comply. Included in the rulebook are stronger prudent requirements for banks, improved depositor protection, and rules for managing failing banks. For eurozone states (and non-eurozone states that opt to join), there are two further pillars of the banking union:

- A Single Supervisory Mechanism (SSM), under which a Supervisory Board operating within the framework of the European Central Bank (ECB) is the central supervisor and monitor of ‘significant’ (that is, large) financial institutions. The supervision and monitoring include the conduct of ‘stress tests’ on financial institutions and the use of intervention powers where necessary – with the latter including, for example, the setting of capital and risk limits and requiring changes in management.
- A Single Resolution Mechanism (SRM), which provides for a Single Resolution Board (SRB) to deal with the resolution (essentially, the identification of problems and possible solutions) of failing banks. A Single Resolution Fund (SRF) – consisting of €55 billion drawn from banks in participating states – is available for bank recapitalisations and restructurings.

The sovereign debt and euro crisis

The flawed nature of the eurozone system and the steps taken towards its fundamental reform

As noted above, the banking crisis led to a sovereign debt crisis. It did so primarily because governments had taken on massive debt to bail out national banks, which led to investors wondering whether governments could repay their own (now inflated) debts.

National debts arise because governments have spent more than their income (most of which comes from taxation) and therefore have to borrow to bridge the gap. Virtually all non-oil-rich states carry public
debts, and so have to build debt repayments into their budgetary calculations. However, as has just been shown, the banking crisis greatly increased the size of the public debts of some EU states – notably Cyprus, Greece, Ireland, Portugal, and Spain. It did so because governments used public funds to provide support to banks that were threatened with collapse, but providing this support – which most commonly was in the form of loans, bailouts, and guarantees to banks – involved governments themselves having to take on more borrowing. Making things worse, because the economies of the states that were having to take on increased borrowing were generally seen as being weak, loans on the international markets were only available at comparably high rates of interest.

The sovereign debt crisis, which peaked in 2010–12, led to the eurozone crisis, as the single currency system came to be seen as being incapable of dealing with the challenges facing it. The incapability stemmed from the fact that whilst the eurozone was based on a monetary union – with a single currency, interest rate, and exchange rate – it was not accompanied by common economic and fiscal policies or by common political structures capable of imposing strong and common ‘solutions’ to the challenges to the eurozone system. So, there was no facility, as there would be in a fully developed Economic and Monetary Union (EMU), for the automatic transfer of financial resources from central funds to parts of the system in urgent need of assistance. More specifically, there was no mechanism for the likes of Cyprus, Ireland, and Greece to be ‘bailed out’. They could, of course, look to other eurozone states to look on them favourably and to provide assistance, but there was no obligation – let alone automacity – on other states to do so. The eurozone crisis may thus be said to have been self-inflicted in that the eurozone system rested on a flawed design. The design had functioned reasonably satisfactorily when the economic weather was fair, but came under severe strain when it became stormy.

The lack of strong central political institutions and fiscal instruments could perhaps have been overcome had there been a consensus between eurozone states about how to tackle the sovereign debt and eurozone crises. But there was not. Broadly speaking, creditor states, of which Germany was by far the most important and influential, were not wholly averse to making funds available to assist debtor states, but they believed the provision of financial assistance should be accompanied by the beneficiary states adopting austerity policies that would enable them to reduce their public debts. For their part, debtor states took the view that austerity policies would prevent them from being able to invest and restructure and thereby reduce their public debt through economic growth.

As a result of these broad differences of view and as result also of the fact that virtually all significant decisions on the sovereign debt and eurozone crises had to be taken by unanimous vote – sometimes by all EU member states, but more often just by eurozone members – decision-making was protracted, incremental, conducted in countless and assorted formal and informal forums from European Council and Euro summits downwards, and highly intergovernmental in character.

But, notwithstanding the decision-making difficulties, many important decisions were (eventually) taken, both in respect of providing assistance to indebted states and strengthening the eurozone system. Regarding the provision of assistance to indebted states, the sizes and forms of assistance naturally varied, but broadly took the form of direct loans from other eurozone states (with Germany being the main contributor) on condition that the recipients implemented austerity and restructuring measures designed to improve their economic performances and public finances. By 2015, the Commission was reporting that significant progress was being made in most of the recipient states, especially Cyprus, Ireland, and Portugal. Regarding strengthening the eurozone system, a range of centralising measures were put in place that considerably stiffened the pressures on states to be fiscally tight and, in particular, not to run large budgetary deficits. The most notable of these measures were contained in the 2012 Treaty on Stability, Coordination and Governance – more commonly referred to as the Fiscal Compact. At the heart of the measures were tighter versions of existing rules covering budgetary deficits and national debts that were set out in EMU’s Stability and Growth Pact. The Fiscal Compact was open to all EU member states – and in the event all signed up to at least parts of it apart from the Czech Republic and the UK – but it was only mandatory for eurozone states. The tighter provisions contained in the Compact and accompanying legislation stopped well short of making the eurozone a fiscal union: there was to be no significant central fundraising via taxation, nor was there to be a huge
transfer of funds from the subnational to the EU levels. But, a central fund – in the (eventual) form of the European Stability Mechanism (ESM) – with a lending capacity of €500 billion, was created to assist states in financial difficulties, and much greater monitoring and appliance powers were given to EU institutions, especially the Commission, to ensure that the public finances of member states were better controlled and that economic coordination between states was greatly improved. In time such measures may come to be seen as important steps taken in the building of, if not a federal union, at least a federal compact of sorts.

The Greek crisis

Greece had long been the most problematic of the indebted eurozone states – not so much because of the size of Greece’s debts but rather because its governments had displayed no firm evidence of being able or willing to fully tackle the debts. This situation was exacerbated in January 2015 when an anti-austerity government that was dominated by the radical left Syriza party was elected to power. Although it continued to receive EU financial support, the new government refused – even when deadlines for the receipt of new payments and the repayment of existing loans loomed – to make the cuts to public expenditure that its EU (and International Monetary Fund (IMF)) creditors were requiring. In effect the government was saying to the eurozone’s decision-makers: we want to stay in the eurozone; we need more loans and existing debt restructuring (the latter meaning debt write-offs and longer repayment schedules); but we are not prepared to create further hardship for our citizens by undertaking the public expenditure cuts – most notably in the form of reducing pensions and other welfare benefits and increasing value added taxes – that the rest of the eurozone is demanding of us. This position was backed by the Greek people in an emergency referendum that the government called at short notice in July 2015.

This stance of the Greek government – and its somewhat flamboyant Prime Minister, Alexis Tsipras – revealed the depth of internal political divisions within the eurozone on economic policy and also on how the eurozone system should be managed. Whilst no eurozone state had much empathy for the way in which the Greek government acted – least of all those eurozone states such as Portugal and Spain, which, in 2011–14, had reluctantly adopted their own austerity measures ‘in exchange’ for eurozone financial support – there were marked variations in the preferences as to how to deal with Greece. On the one hand, many of the creditor states, led by Germany but with strong support from, amongst others, the Netherlands, Finland, and Austria, took a hard line and wanted the austerity conditionality line not only to be continued but to be stiffened with the addition of coercive powers for use against laggards. This was not because of difficulties in raising the resources to assist Greece – with Greece accounting for less than 2 per cent of EU gross domestic product (GDP), the availability of resources was not a major problem – but rather because member states had lost confidence in Greece and believed that unless austerity was imposed on it, it would be in continual economic and financial trouble and would just keep returning for further funding. As the German Finance Minister, Wolfgang Schäuble, put it when arguing that there was nothing wrong with insisting on austerity: ‘The problem is that for the last five years the medicine has not been taken as prescribed’ (quoted in Garton Ash, 2015). On the other hand, France and some indebted southern EU states – notably Cyprus and Italy – were more sympathetic to the argument that public interventionist measures to directly support growth were required, and also took the view that coercive measures ‘imposed by Brussels’ to restrain public expenditure would likely fuel the already rising euro scepticism in the EU.

But though there were deep divisions between the eurozone member states over how to deal with Greece, few wanted to see it exit the single currency – Grexit as it came to be called. This was for a mixture of three reasons, each of which says much about the nature of the EU as a political and economic system. The first reason was that a Grexit would have been extremely damaging for the eurozone as a whole. Its prestige and standing would have taken a serious blow and its future stability would have been endangered in that once it had been established that exiting the eurozone was possible, investors might turn their attention to other weak national eurozone economies. In other words, the eurozone had become, like the EU more generally, an entangled and interdependent system in which the fortunes of one member state could have major implications for others. If Greece was to be forced out of the euro and the principle of the irreversibility of membership was ended, then others might
well follow and the eurozone system itself might even collapse. Thus, regardless of whose ‘fault’ Greece’s situation was, the cost of Greece failing was too high for everyone else. The second reason was concerns that a Grexit might open the door to the extension of Russian influence in the eastern Mediterranean. Clearly, the uncertainties and instability that would accompany a Grexit might make the (hard left) Greek government open to approaches of various sorts from Moscow. (Indeed, as the crisis was developing Tsipras visited Moscow to meet with President Putin.) And the third reason was that, for all the hostility most eurozone leaders harboured towards the Syriza government because of its perceived irresponsibility and unwillingness to deliver on past promises, there were widely felt feelings that the Greek people should not thereby be punished – and it was assumed in most EU circles that a Grexit would have, in the short term at least, potentially disastrous consequences for ‘ordinary’ Greeks. The EU may not be a federal system and EU citizens may not think of themselves first and foremost as being Europeans in the same way as most people in Vermont or South Dakota think of themselves as being Americans, but some sense of EU citizens as being part of ‘us’ does exist – at least in EU decision-making circles, if not necessarily amongst the EU populace as a whole.

So, for all the irritations felt, and occasional open annoyance displayed, by EU leaders in the first half of 2015 towards the Syriza government, every effort was made to keep Greece aboard the eurozone. It was not until July – when the crisis peaked as repayment dates on existing loans were missed, capital controls were introduced, and banks were closed because they were running out of money – that eurozone leaders (meeting in a special Euro Summit) gave the Greek government a final ultimatum of three days to come up with a credible, austerity-based, reform package ‘in exchange’ for new negotiations on the extra loans it desperately needed. Given that they had no option if Greece was to retain its euro membership, the Greek government and Parliament duly approved the package, even though it included measures they hitherto had strongly resisted – including VAT increases, pension cuts, and a new civil code procedure involving an overhaul of Greece’s slow judicial sector. This altered approach led to a new (third) €85 billion bailout package for Greece being agreed in August.

So, though experiencing considerable internal divisions about preferred courses of action, eurozone decision-makers were able to do enough ‘to keep the show on the road’ when they were put under intense pressures by both the eurozone crisis in general and then specifically by the Greek crisis. However, at the same time, they were incapable and/or unwilling to correct the design flaw of EMU by laying down sufficiently robust foundations for the eurozone’s long-term stability and success – which most economists think requires the creation of a fiscal union. As is shown in the next section on the migration crisis, EMU is not the only policy area with a design flaw.

The Migration Crisis

The gravity of the crisis for the EU system

Of the various crises and challenges the EU has faced in recent times, two have brought seriously into question the continued operation of core parts of the EU system. The first of these crises and challenges has been the above-analysed economic and financial crises, which have threatened the eurozone system. The second has been the migration crisis, which has threatened the Schengen system: that is, the system that enables passport-free movement for EU citizens between most EU states (see below).

The migration crisis has resulted in the Schengen system being challenged in three ways. First, member states have, in response to the crisis, introduced temporary border restrictions and controls between internal Schengen borders. Second, Greece’s very membership of Schengen has been threatened by perceived inadequacies and failures in its procedures and facilities for dealing with migrants. Third, the sensitivities associated with the migration crisis have been so intense and some of the divisions between Schengen states been so deep that much-needed decisions have not always been possible. This was seen particularly when several Schengen states, particularly Central and Eastern European states, were unwilling and/or unable to accept a key step identified by the Commission in 2015 as needing to be taken to help deal with the crisis – namely, that all Schengen
member states should be obliged to accept a proportionate number of migrants.

Along with the economic and financial crises, the migration crisis has also posed a major challenge for the EU in a less direct way in that it has promoted populism, nationalism, and euroscepticism across much of Europe. One reason for this has arguably been the absence of ‘quick fix’ solutions on which decision-makers have been able to readily agree. Another possible reason has been that migration is focused on specific and identifiable issues that most citizens (with varying degrees of sophistication) can understand and can be drawn into, but often on the bases of misunderstandings fuelled by partisan media coverage. But, whatever the precise reason or reasons, the rise of ‘anti-system’, and often ‘far-right’, political forces has been potentially politically explosive, both for the EU as a whole and for many of the main parties in its governments. It has contributed to eurosceptic-tinged governments being elected to power in several states – including Hungary, Poland, Slovenia, and the UK – and it certainly assisted the ‘leave’ side in the 2016 UK referendum on EU membership.

The rapid escalation of the crisis

The numbers of irregular migrants attempting to enter the EU significantly increased in the early 2010s, largely in response to the internal hostilities and instability in Syria, Afghanistan, and Iraq. Very visible manifestations of what rapidly escalated into a crisis began to occur from 2014 as hundreds of thousands of asylum seekers and economic migrants arrived at the EU’s borders, many of them on overcrowded boats in the Mediterranean and Aegean seas – some of which sank, resulting in drowning tragedies. The EU became overwhelmed, with the number of asylum applications in 2014 increasing by over 40 per cent to 626,000, and then increasing again by over 90 per cent in 2015 to approaching 1.2 million.

The preferred destination of most migrants was Northern Europe, especially Germany, but they mostly arrived initially in Greece. This resulted in them being detained in settlement and migration camps of various sorts, before setting out on often hazardous and blocked journeys north via Balkan countries and Austria or Hungary (see Map 5.5 on p. 66).

A number of reasonably quick decisions were taken by the EU on specific and immediate issues, including increasing the number and capability of patrol boats and rescue missions in the Mediterranean, using migration management support teams in ‘hotspot’ locations (especially in Greece), and financially supporting refugee camps. But, such measures naturally took time and finance to be assembled and to become operational.

Crucially, however, little could be agreed initially on the major outstanding issue that lay at the heart of the problem: dissuading and stopping would-be migrants from attempting to journey to the EU. The main reason why so many wanted to make the journey was, of course, obvious: their home countries were dangerous and poor, whilst the EU was stable and rich. But why did the increased pressures on the external borders develop into a crisis?

Reasons for the crisis

The migration problem developed into a crisis for somewhat similar reasons to those that applied in respect of the eurozone crisis: a mixture of basic design flaws and disagreements between the member states regarding what should be done.

Regarding basic design flaws, a core principle of the EU is free movement and right of residence for EU citizens. A further enhancement of this principle exists within the Schengen system, which provides for passport-free travel between the 26 member states. These 26 Schengen members include all EU states except Ireland and the UK (which have Schengen opt-outs), plus Bulgaria, Cyprus, Croatia, and Romania (which are legally obliged to eventually become members, but are judged to be not currently – November 2016 – suitable for membership). Non-EU Schengen members are Iceland, Norway, Switzerland, and Liechtenstein.

The main design flaw in the Schengen system is that the principle of free movement of people can only work smoothly: if the common external borders are strong and are accepted by all Schengen states as being strong; if intelligence information gathered at the common external borders is automatically and quickly passed on; if excessive migration pressures are not exerted at the common external borders; and if there are excessive migration pressures, member states are willing and able to deal collectively with the
large numbers of migrants. None of these conditions have existed during the migration crisis. So, as with the eurozone’s foundations, the Schengen system’s foundations were not designed to deal successfully with troubled and stressful times.

Regarding disagreements between member states, Germany, and more particularly Chancellor Merkel, was initially welcoming to the greatly increased number of migrants arriving from the summer of 2014 – an attitude that may itself have increased the numbers, especially the numbers wanting to reach Germany. But, this welcoming policy was taken unilaterally and other states, especially Central and Eastern European states, were less favourably disposed. As the numbers of migrants increased, several Schengen states (including even Sweden – traditionally a welcoming state for displaced persons) began imposing border controls between themselves and other EU states. The fact is that on the key issues of how many migrants to accept, where to put them, and how to pay for them, member states displayed little solidarity. Most were just relieved that – unlike Greece, Italy, and Malta – the problem was not right on their doorsteps.

Difficulties in ‘resolving’ the crisis

The EU is a relatively rich and stable socio-economic area, with poor and unstable neighbours to its south and south-east. Inevitably, therefore, it is a target for many migrants, and became particularly so after the collapse of the 2011 ‘Arab Spring’ and then the civil war in Syria, which created enormous disruptions and hardships in North Africa and parts of the Middle East.

As the scale of the crisis became increasingly clear, the Commission issued a communication in May 2015 entitled A European Agenda on Migration, which set out immediate and long-term plans for dealing with the crisis (European Commission, 2015f). Some of the immediate plans were already beginning to be employed, albeit not wholly successfully, including the posting of extra border guards and the above-noted increased support for rescue missions and migration camps. But, given that the EU was not, and is not, willing to have an ‘open door’ policy forever, what about longer-term solutions? From the Commission communication, subsequent documentation, and the actions of policy-makers, four main approaches can be seen as having been considered and at least partially tried:

- Distributing migrants between the member states. In 2015, the Commission – under pressure from Germany, where most migrants who had been given asylum rights were locating – set out a scheme for 120,000, later increased to 160,000, migrants to be distributed on an enforceable and proportionate between Schengen states. Although initially gaining a qualified majority in the Council, this proposal came to be strongly opposed by Central and Eastern European states, which were unused to inward migration from outside Europe, thought it would be potentially costly, and in some cases thought it intruded too much on national sovereignty. The scheme, which would have meant forcing states to take in people they did not want and sending people to states they did not want to go to, was never implemented.
- Assisting with tackling the underlying problems in countries that are ‘exporters’ of migrants. This involves many aspects of the EU’s external policies, including the promotion of good governance, financial aid, technical assistance, and the use of (mainly) soft policies to advance peace and security.
- Discouraging potential migrants from being attracted to the EU. This has not become an official EU policy, but the unwelcoming stances taken by many EU states (including the UK, which is not a Schengen member) to political migrants has delivered the clear message that migrants are not welcome. Tightened external borders have also been intended as a discouragement.
- Returning irregular migrants where possible. In terms of dealing with other states, this has been particularly pursued with Turkey. This has been because nearly all migrants from Syria arriving in Europe (who, during the crisis, have accounted for about 50 per cent of migrants) have done so via Turkey, and there was an estimated 2.5 million Syrians in Turkey in late 2015. In March 2016 the EU and Turkey agreed that in exchange for Turkey strengthening its border controls in the Aegean and taking back Syrian migrants who reach Greece illegally (which the EU hoped would prevent and/or dissuade migrants from crossing to Greece), the EU would: relocate in Europe Syrian refugees based
in Turkey; grant visa-free travel to Turkish citizens; accelerate Turkey’s EU membership application; and give €6 billion to Turkey, nominally to help it to manage the migration crisis. The clearly unbalanced nature of this agreement and the high price demanded by Turkey showed both the depth of the EU’s wish to de-escalate the migration crisis and its heavy dependence on Turkey if the de-escalation was to be achieved.

By mid-2016 the last two of these measures appeared to be having some, albeit limited, effect, with a marked decline in the number of attempted migrants – especially by those using the eastern Mediterranean route (which involves crossing the Aegean Sea from Turkey to Greece).

Towards Intergovernmentalism in EU Decision-Making Processes

The political and governmental challenges that have faced the EU in recent years have been different in character to the challenges posed by the economic and financial and the migration crises discussed above. One way in which they have been so is that it is not so easy to pinpoint the start of the political and governmental challenges, since most of their dimensions were gradually building up over time rather than suddenly erupting as was the case with the economic and financial crises in 2007–10 and the migration crisis in 2014–15. Another way in which the political and governmental challenges have been different is that circumstances have not arisen that have required immediate attention and major reforms so as avoid a collapse of the EU’s political and governmental arrangements. Indeed, it has not seemed to be appropriate or practical to respond to the political and governmental challenges with specific reforms akin to those used to deal with the economic and financial and the migration crises. For the fact is that the Lisbon Treaty, which was signed in 2007 and came into effect in 2009, incorporated the best part of a decade of ‘constitutional’ thinking and negotiations and in so doing had already made such changes to the EU’s institutional structures and decision-making arrangements as seemed to be necessary and politically possible. In the wake of Lisbon Treaty ‘exhaustion’, and with future major treaties likely to be subject to very difficult national ratifications, there has been no wish to repeat the exercise and introduce further institutional and policy process reforms – at least until they become unavoidable.

But, the fact is that the reforms made by the Lisbon Treaty have increasingly come to be viewed by many as being inadequate in enabling the EU to effectively tackle the many pressing issues it faces. In particular, the Lisbon Treaty reforms are widely viewed as heralding a step backwards for the European integration process in so far as, unlike the EU’s previous revising treaties, its provisions for EU decision-making did not consist of unqualified movements in the direction of further supranationalism. Rather, by strengthening the institutional position and capacity of the European Council – the forum in which Heads of Government meet, in which they take many important political decisions, and in which virtually all decisions are taken by unanimity – there was a marked tilt in an intergovernmental direction. This movement may have been politically necessary, because many member states wished to re-assert their control over key EU decisions, but it arguably weakened the EU’s decision-making capacity, especially in respect of being able to respond quickly to major challenges such as those thrown up by the economic and financial and the migration crises.

Taking the economic and financial crises, these have clearly further strengthened intergovernmentalism. They have done so in that most major decisions concerning the crises – ranging from the size and conditions of bailouts, through the creation of new supporting mechanisms for the eurozone, to establishing frameworks to improve the regulation of banks – have been so sensitive and/or politically charged that Heads of Government have wished or have needed to be directly involved in decision-making. In consequence, Heads of Government, meeting formally in the European Council and (for eurozone members) Euro Summits and informally in seemingly never-ending rounds of bilateral and multilateral meetings, have been more directly involved in EU decision-making than ever before. Of course, any decisions taken by the national leaders at European Council or Euro Summit levels are, as with most EU decisions, extensively prepared by the European Commission, and if
the decisions need to be given legal effect (neither the European Council nor Euro Summits can make EU laws), then the Commission again becomes involved as too do the EP and the Council of Ministers – with the latter usually having the possibility of taking its decisions by qualified majority vote. So, the increasing involvement of the Heads of Government in EU decision-making, which the crises have promoted, does not mean that supranationalism has withered, but it does mean that it has increasingly come to operate in an overarching intergovernmental context.

A key feature of the EU’s political and governmental arrangements – the balance between supranationalism and intergovernmentalism – has thus been seriously shaken in recent times. This in itself does not constitute a crisis, but it has raised important questions about how the EU does, and should, operate. So have other challenges to the EU’s political and governmental arrangements, some of which have been seen to threaten the very continuance and stability of the EU’s political and governmental systems. It is with these other challenges that much of the rest of this chapter is concerned.

The EU’s Leadership Deficit

The EU’s system of governance is quite different to the systems that exist in individual states. A key aspect of this difference concerns the location of political leadership. In individual states, it is usually obvious who is primarily responsible for providing leadership. Specific arrangements vary according to the nature of national systems – for example, most EU member states are parliamentary systems but a few are presidential or quasi-presidential, and most are unitary states whilst a few are federal or quasi-federal – but in broad terms at national levels some combination of the head of government and the government itself are seen as the main source of leadership. They are expected to provide this leadership on the basis of the political and policy orientations and preferences they presented to citizens in the elections that led to them assuming office.

The EU does not have a comparable system of leadership. There are no institutions or individuals clearly charged to provide a lead on the basis of popularly approved orientations and preferences. In consequence, the EU was slow to respond to the economic and financial crises, with a lack of clarity existing as to who should ‘take charge’. There was a ‘leadership deficit’ in that, unlike at national levels, there was no obvious single source of leadership. Somewhat ironically, this leadership deficit arose partly because the EU has, especially since the Lisbon Treaty entered into effect, almost a leadership surplus in that there are many potential sources of leadership. So, regarding the economic and financial crises, institutional actors with strong claims to exercise at least some leadership have included the European Council and its President, Euro Summits and their President (the same individual is President of both institutions), the Ecofin Council, the Eurogroup, the Commission and its President, and the European Central Bank (ECB). Non-institutional actors with leadership claims have included strong eurozone states – most notably Germany and France, and especially the former given that it has the largest economy in the EU and is the largest contributor by far to the eurozone’s underpinning financial instruments.

An important reason the EU was not always able to respond sufficiently quickly, especially in the early stages, with appropriate policies to deal with the economic and financial crises was thus partly because of policy actor pluralism and associated uncertainties over who should be taking the lead and making decisions. This uncertainty resulted, at times, in what amounted to competition between policy actors, with the Commission in particular constantly on guard to ensure it retained its traditional position as the EU’s main agenda-setter and policy-proposer.

But, in addition to the policy actor pluralism, there were also – as was shown above – significant differences between key policy actors as to what the appropriate policy responses should be to effectively meet the challenges of the economic and financial crises. These differences naturally made the exercise of strong and decisive leadership and the accompanying necessary driving-through of contentious decisions all the more difficult. Taking the European Council and Euro Summits, one of which ultimately had to give political authorisation to most decisions, each member state brought its own national and political preferences to negotiations. Given that virtually all decisions by these institutions need to be approved by unanimity, attempts to provide them with strong and bold leadership are thus almost bound to meet
with resistance and to make quick, let alone radical, decision-making impossible; as indeed was the case from the very beginning of the crises.

Notwithstanding the almost endless deliberations on improving EU leadership that were conducted during the ‘constitutional decade’ that led to the Lisbon Treaty, the economic and financial crises thus highlighted that the EU’s ‘leadership deficit’ very much remains. This is perhaps inevitable in a voluntary membership organisation with deep internal divisions. Formal rules (as in treaty provisions) can only do so much. As is shown later in the chapter, foreign policy is another area where the Lisbon Treaty tried to provide for more effective leadership, but with only limited effect.

Of course, the attempted exercise of strong and effective leadership would be highly divisive and disruptive given the major differences that exist between the EU’s principal policy actors on most major issues, as Chancellor Merkel found to her cost during the migration crisis. But be that as it may, there can be little doubt that the EU’s leadership difficulties are not conducive to strong and effective decision-making.

Increasing Differentiation

Since the 1992 Maastricht Treaty, the EU has been based on the assertion that it is involved in ‘the process of creating an ever closer union among the peoples of Europe’ (TEU, Article 1). However, notwithstanding the implication of this treaty article that the EU is embarked on a path of increasing integration between all of its members, even before the Maastricht Treaty entered into force the integration process displayed consciously designed and officially approved disaggregating features, with neither the European Monetary System (EMS) (which was designed to bring much greater stability to currency exchange rates) that was launched in the late 1970s nor the Schengen system (that provided for easier cross-border movements by people) that was created in the mid-1980s involving all member states. The Maastricht Treaty itself then further authorised disaggregation by permitting Denmark and the UK to be able to opt out of the EMU system that was to be built in the following years and also allowing the UK to opt out of the Treaty’s Social Chapter.

Disaggregation, or differentiation as it is more commonly called in the EU context, has continued to develop since the Maastricht Treaty, both informally and in treaty-authorised forms (see Leuffen, Rittberger, and Schimmelfennig, 2013; Buonanno and Nugent, 2013: 326–8). That is to say, it has become increasingly common for some EU policy activities not to involve the participation or full participation of all member states. The economic and monetary crises have advanced this tendency, particularly in that they have forced eurozone states to accept that the single currency system needs to be underpinned by appropriate fiscal measures. Accordingly, a raft of new legal provisions covering a range of fiscal- and banking-related matters have been put in place via both treaties and legislation, some of which do not apply, or do not fully apply, in non-eurozone states. The most notable of these provisions is the above-mentioned 2012 Fiscal Compact, which does not fully apply to non-eurozone states and does not apply at all to the UK and the Czech Republic, which refused to sign the Treaty.

It should be emphasised that differentiation is not in all respects necessarily ‘bad’ for European integration. Indeed, it can be highly functional in that it is a useful device for enabling European integration to proceed when only some of the member states wish to move forward, or are capable of moving forward, in particular policy spheres. However, unlike in, for example, the USA or Canada, where policy differences also exist between the constituent units (states and provinces respectively), in the EU many of the differences are on core system-wide matters – including internal and external border controls, the currency, foreign policy, and most taxation issues. Inevitably, permitting (or, more accurately, having to permit) differences in such key policy areas weakens the EU’s capacities and potential.

Related to increased policy differentiation in the context of the economic and financial crises, there has been an increased tendency of decisions to be taken without representatives of all EU member states being present. The Eurogroup (which brings together the Economic and Finance Ministers of eurozone states) has existed since the early days of the single currency, but initially it was very much secondary in its decision-making capacity and willingness to the Ecofin Council (which brings together the Economic and Finance Ministers of all EU states). However, the eurozone crisis has brought the Eurogroup much
more centre stage, with eurozone minsters meeting frequently during particularly difficult times of the crisis and with them making decisions either by themselves or for later virtual ratification, as appropriate, by the Ecofin Council or Euro Summits.

This ‘exclusion’ of non-eurozone states from very important decision-making processes was no more clearly shown than on the weekend of 11–12 July 2015, when the Greek crisis was at its height and Grexit was a real possibility. During much of the Saturday and Sunday the Eurogroup was in almost permanent session, with a view to presenting its findings to a Euro Summit that was convened for the Sunday afternoon. Provision was also made for an emergency European Council meeting in the event of a Grexit (though doubtless this meeting would have been for information-giving rather than decision-making purposes), but in the event an EU summit proved not to be necessary as, on the basis of recommendations made to it by the Eurogroup, the Euro Summit agreed to open negotiations with Greece on a new bailout to be drawn from the ESM.

### Brexit: A Major Fracturing

As shown in the previous section, differentiation has been used to enable member states that do not want, or do not have the capacity, to participate in some policy areas not to do so whilst continuing to be EU members. The UK has been by far the greatest beneficiary of differentiation, most notably with its opt-outs from the single currency, the Schengen system, and much of the area of freedom, security and justice (AFSJ) policy area. But, differentiation was not sufficient to prevent the UK from deciding in 2016, by referendum, to seek to leave the EU.

This most dramatic fragmentation in the EU’s history initially began to look possible at much the same time as the Union was experiencing the other crises and challenges that are considered in this chapter. For the first time in the EU’s history, a member state took steps that could result in it withdrawing from membership. (Greenland left the EC in 1985, but it is a self-governing territory of Denmark rather than an independent state.) Moreover, the possibility arose not in connection with a small member state but rather, as measured by size of population, the EU’s third largest member state.

Brexit, as UK withdrawal came to be called, had featured prominently on the British political and economic agendas for some years, with the UK having long been the EU’s most eurosceptic (Geddes, 2013) and ‘awkward’ (George, 1998) member state. This euroscepticism and awkwardness resulted in the UK continually pressing for European integration to proceed on a minimalist basis, in which the focus should be primarily on the creation of a liberal internal market and in which most other policy matters should be left to intergovernmental cooperation. But although UK governments struck minimalist stances, until 2016 they continued to take the view that whilst integration had advanced further than they would have wished, it nonetheless was in British interests to continue to be an EU member.

However, the political background to the government’s position changed in 2010 when David Cameron’s Conservative Party, sections of which had increasingly come to question whether it was in British interests to be a member state, was elected to office. These reservations were initially held in check by being obliged to govern in coalition with the pro-EU Liberal Democrats until 2015, but during the 2015 election campaign the Conservatives promised, in large part so as to avoid losing votes to the eurosceptic United Kingdom Independence Party (UKIP), to hold an ‘in/out’ referendum by no later than the end of 2017 should they win an overall parliamentary majority. Such a majority was duly (and unexpectedly) won, with the consequence that Cameron’s – now Conservative-only – government embarked on a campaign of trying to renegotiate some of the terms of the UK’s EU membership before the referendum was called.

The UK entered the ‘renegotiations’ in a seemingly relatively strong position. This was partly because it was not seeking too much. Its aims were mostly ‘soft’ in that even before the negotiations opened Cameron had already either been given informal support for some of his aims by other Heads of Government or had backed down on matters where there was seemingly insuperable opposition – as with his initial hopes that agreed changes in the terms of Britain’s relations with the EU would be guaranteed in EU treaty reforms and, more importantly, that the UK would be given opt-outs of some kind from the EU’s free movement of EU citizens principle. The government’s position was also relatively strong because the other 27 member states wished, albeit with varying degrees
of enthusiasm, the UK to remain a member. They did so because a British withdrawal could result in direct economic damage for them, would constitute a serious blow to the EU’s prestige and international standing and influence, and would weaken the EU’s strength and capacities in many policy areas – not least foreign and external security policy.

In the referendum campaign itself, Cameron and the ‘Remain’ side concentrated on the economic and political disadvantages and risks of exiting the EU and on the (in the event, relatively modest) ‘concessions’ that had been won in the negotiations that could be presented to voters as meaning that Britain’s position in the EU was now improved and that its core interests were better protected. But this was not enough, and the referendum was lost, with the British people voting to leave the EU by 51.9 per cent to 48.1 per cent, on a 72 per cent turnout. As in all referendums there were a number of reasons for the exit vote, prominent amongst which in this case were opposition to the free movement of people principle (popularly expressed as ‘too many immigrants’) and ‘too much control from Brussels’.

The referendum result produced immediate domestic and EU political turmoil. Domestically, the main consequences were that: David Cameron resigned and was replaced by Theresa May as Prime Minster; the composition and structure of the government were re-shaped – partly to reflect the post-Brexit situation; and deliberations began in (the new) government over when to invoke Article 50 TEU (which is the article formally notifying the EU of the intention to withdraw and which sets a two-year timetable from the notification date for the negotiations to be completed). At EU level, immediate consequences included: the (voluntary) resignation of the UK Commissioner (followed shortly by a replacement, who was given a less prestigious portfolio); attempted (and unsuccessful) pressure from leading EU figures (including the Presidents of France, the Commission, and the European Parliament (EP)) on Britain to invoke Article 50 quickly, so that the UK’s exit would not be unduly delayed; some inter-institutional competition between the Council and the Commission to lead the EU side in the Brexit negotiations (broadly speaking, it was decided that the Commission would handle most technical and detailed points, whilst the Council would deal with more political matters); and deliberations over what to do about the forthcoming UK Council Presidency due to commence in the second half of 2017 (in the event, Britain decided not to take up its Presidency and the EU-27 decided to bring forward other scheduled Presidencies by six months).

Clearly the long-term effect of UK withdrawal, on both the UK and the EU, will take many years to determine and will depend in large part on the exit terms that are negotiated. Will, for example, the UK: continue to be a full member of the internal market?; continue to participate in EU foreign and defence policy actions?; continue to financially support policy programmes with which it wishes to be associated, and if so, which ones?; and continue to work closely with the EU on clear cross-border issues (such as countering terrorism and tackling environmental issues)?

The Increasing Role of, and Exercise of Power by, Germany

Germany has long been the most powerful EU member state in terms of the size and strength of its economy. Since German unification in 1980 it has also been, by some way, the largest member state in terms of the size of its population with, in 2016, a population of 82 million as compared with France’s 66 million, the UK’s 65 million, and Italy’s 61 million.

Until recently, Germany has usually been seen as being part of the solution to EU problems, especially in that it has been willing to use its vast resources for the greater good. However, during the recent crises it has come to be viewed as being part of the problem in both economic and political senses.

Regarding the economic sense, Germany in recent years has run up huge export surpluses, largely on the back of domestic wage restraint. This has imposed severe economic pressures on its main trading partners, which are mainly other EU states. The traditional response of states to such trading pressures is to address the problem by devaluation but, of course, this is not possible for those states that are part of the currency union. German economic success is thus seen as a major cause of the economic difficulties of other eurozone states.

Regarding the political sense, in the past Germany never sought by itself to exercise a leadership role in
the EU – largely because of the emotions associated with its historical inheritance. Its strength and size did, of course, result in it being a prominent player in many policy deliberations, but it did not attempt to assume leadership within them. Prior to the crises, the closest it came to being a policy leader in a major area of policy was in respect of the creation in the 1990s and then the early operation in the early 2000s of EMU, but it was a leadership it did not attempt to exercise by itself but rather in close cooperation with France.

This situation has changed somewhat during the migration crisis (see the migration section above) and the economic and financial crises. This has been especially so during the eurozone crisis, with Germany exercising a much more pre-eminent policy position than at any time in the EU’s history. In its seemingly never-ending discussions and negotiations on how the EU, and especially the eurozone, should react to and deal with the crises, Germany has been to the fore in advancing – and driving through – policies based on its own preferred approach, which rests on liberal economics and a balanced, or nearly balanced, national budget. More specifically, whilst Germany has been willing to support various forms of economic assistance to debtor states, including bailouts, it has insisted that they only be made available if the recipients commit to tough austerity conditions designed to reduce and eventually eliminate national debts.

There have been a number of reasons for this increased pro-activism of Germany. One has been a resolve within Germany that the euro should be based on sound economic and monetary practices, which, as just noted, is taken particularly to mean that all euro member states should maintain sound public finances. Arguably it was partly Germany’s fault that such sound practices became less common in the approach to and during the crises – because Germany had, with France, promoted a more flexible interpretation of (the German-designed) Stability and Growth Pact in 2003–05 – but nonetheless, during the crises Germany’s position hardened, with it increasingly being emphasised that the position of the euro should not be allowed to be endangered by the ‘irresponsible’ (for which read ‘inefficient’ and ‘profligate’) behaviour of the governments of some member states. Another reason for the increased pro-activism has been Germany’s position as the eurozone’s major creditor state, with the German government – pushed by domestic opinion – being somewhat unsympathetic to governments that have not been more careful with the management of their public finances. And a third reason has been the growing asymmetric nature of the Franco-German relationship, which itself has partly arisen from the much stronger performing German economy. That the relationship is no longer one of co-equal partners was clearly seen during the (almost fevered) rounds of negotiations in July 2015 on whether Greece could remain within the euro: despite almost continual pressing from President Hollande – in both bilateral meetings and on the margins of Euro Summits – to adopt a ‘softer’ line towards Greece, Chancellor Merkel held firm and a very tough set of austerity conditions was imposed on it ‘in exchange’ for another EU bailout.

The de facto leadership position taken by Germany during the crises has certainly contributed to the (constantly ongoing) realignment of power relations within the EU. For some observers, it has done so in a potentially dangerous way in that federal or quasi-federal political systems (and the EU is surely at least the latter) depend, for their effective functioning and internal stability, on balanced power relationships between their constituent units (that is, the member states in the case of the EU). Should one constituent unit or group of units become dominating, and especially if it/they adopt policies that are not supported by, but must be applied by, other units, then dissatisfaction is likely to develop within the system.

There have been some signs of this within the eurozone, with debtor states – and especially Greece – deeply resenting the austerity policies that have been perceived as being imposed on them as a condition of receiving financial assistance. This imposition has been identified particularly with Germany, though resentment towards Germany has been partly held in check by the fact that it has not acted alone, with most eurozone decisions having required the unanimous approval of all eurozone states and also with Germany having been consistently supported in its stance by other creditor states. Another reason why resentment towards Germany has been checked is that it has not sought to act as a hegemon (dominating power) in the traditional sense. Rather, it has been a reluctant hegemon in that in so far as it has displayed hegemonic tendencies, they have, as Bulmer and Paterson (2013) have shown, been constrained by both international and domestic factors and been somewhat reluctantly
exercised. Moreover, they have mainly been confined to the economic sphere – albeit that this is the sphere that has dominated EU policy affairs in recent years.

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In its early years, the European integration process was, as is shown in Chapter 2, in large part driven by the containment of Germany. Once the EC/EU became established, ‘the German problem’ waned as Germany came to be seen as being – with France – at the very core of the system and the main potential rescuer of it in times of crisis. Now, a ‘German problem’ is widely seen as being back on the agenda.

The European Identity Challenge

Democratic political systems are best served if they are based on a shared identity amongst citizens. Of course, citizens in all political systems have many different interests and views on any number of matters that are in the public domain. But, if these different interests and views do not exist within a context of some degree of shared feelings of commonality between citizens, then the political systems that take decisions in their name and on their behalf are likely to experience difficulties. These difficulties can vary considerably in nature, ranging from problems with the implementation of decisions, through questioning of the legitimacy of the decisions taken, to the system itself coming to be torn by internal dissension and being challenged.

Given this desirability of the existence of some shared identity between citizens, federal and quasi-federal political systems – which almost invariably have been created on the foundations of previously existing political units (such as states in the USA and provinces in Canada) – often have to work hard, especially in their early years, to encourage and forge feelings of commonality. When they succeed, as the USA has done since the civil war (most US citizens think of themselves first as being Americans and only second as being New Yorkers or Georgians), the political system can be stable and work in a reasonably harmonious and integrated manner. But where they do not wholly succeed – in the sense that regional identities remain strong, even paramount, in some parts of the system – as in the cases of Belgium and Canada, then the existence of strong policies at the central level is likely to be disputed and the existence of the system itself may be challenged.

Since the EC was founded in the 1950s, the great majority of people resident within the borders of the EC/EU have consistently thought of themselves as being French/German/Italian and so on before they have thought of themselves as being European. This is, of course, hardly surprising given that, in most cases, the member states of the EU have been long-established and thus have developed strong attachments, and given also that the public services that most directly impact on citizens – notably education, health, and social welfare – are still provided by national governments. But, the eurozone crisis revealed the hard challenges this lack of a shared sense of identity amongst EU citizens – the absence of a demos as it is often put by academics – can create for the EU as a functioning political and economic system. For when indebted states looked to the EU for financial assistance, popular sentiment in other member states was not that fellow European citizens should be helped but rather that they had created their own problems and should dig themselves out of their self-inflicted difficulties. ‘North Europeans’ tended to view the predicament of ‘south Europeans’ in an unsympathetic manner.

This lack of a collective spirit was seen most sharply in respect of Greece, where popular opinion in Germany – the state that was the major contributor to aid packages – opposed ‘bailouts’ to a country that was widely perceived to tolerate widespread corruption, incompetent governance, and an insufficiently hard-working population. In such an operating political environment, Chancellor Merkel’s government, even had it wished to be ‘generous’ to Greece, had little choice but to take a hard line and, in effect, insist that Greece’s creditors impose austerity on Greece ‘in exchange’ for financial assistance.

Within the eurozone, creditor and debtor states thus became sharply pitted against one another in terms of how the crises should be tackled, which made quick and effective decision-making impossible. Creditor states mostly favoured tight economic and financial policies and the full repayment of debts – even after the IMF insisted in July 2015 that Greece would never be able repay the over €200 billion it jointly owed to the EU and the IMF. In short, creditor states, led by Germany, wanted what amounted to the imposition
of austerity measures and policies on the debtors. For their part, debtor states mostly argued that the key requirement was that conditions needed to be created in which their economies could grow, and this necessitated some measure of debt relief and expansionist rather than contractionist measures and policies.

Rising Euroscepticism

Linked to the lack of collective identity that exists across the EU, which was clearly displayed during the eurozone crisis, there has been a sharp rise in euroscepticism since 2007–08. Prior to the economic and financial crises, ‘hardline’ euroscepticism – that is, support for withdrawal from the EU – never topped 10 per cent across the EU as whole (see Leconte, 2010). Indeed, only in the UK were there consistently significant levels of support (over 20 per cent) for hardline euroscepticism before the crises.

These low levels of support for hardline euroscepticism allied with the position of most people – which was a mixture of disinterest in the integration process and mild support for it – is commonly credited with providing the bases for the ‘permissive consensus’ (Inglehart, 1971) that so characterised the European integration process into the 1990s. The existence of this permissive consensus resulted in political elites being able to build European integration whilst being relatively insulated from citizens’ views. EU-level powers and policies could thus be developed without too much public questioning or opposition.

However, as the economic and financial crises unfolded so did euroscepticism grow, not least in the debtor states that were subject to ‘instructions from Brussels/Bonn’ to impose tighter economic and financial policies. This growth in support for euroscepticism was seen both in public opinion polls, where a pre-crisis majority having a favourable opinion of the EU turned to a minority by 2012, and in elections – not least the EP elections of 2009 and more especially of 2014, where eurosceptic parties (mainly, but not exclusively, from the far right), polled significantly. Inevitably, this rising euroscepticism resulted in an advancing of the movement from the permissive consensus in which EU political elites had had a relatively free hand in their policy deliberations and actions to a ‘constraining dissensus’ (Down and Wilson, 2008; Hooghe and Marks, 2009) in which decision-makers became more circumspect and began to focus more exclusively only on really important EU-wide matters. In this spirit of a constraining dissensus, on assuming office in November 2014, the new College of Commissioners led by Jean-Claude Juncker announced a programme of policy and legislative activities that was much reduced in volume compared with those of its predecessors, though it still contained bold objectives – including building a single digital market, advancing energy union, and creating a new investment fund focused particularly on employment promotion.

Rising euroscepticism has thus had an impact on the atmosphere in which the EU’s operations are conducted and has had some direct impact on the operations themselves. In the EP, for example, the election in 2014 of a large eurosceptic bloc has forced the centrist and europhile political groups to work more closely with one another than formerly. And in member states where domestic support for eurosceptic parties has significantly risen – including France, Denmark, the Netherlands, Germany, Poland, and Hungary – governing parties have tended to become less willing to give ground to the Commission or to other member states in negotiations on politically sensitive issues. Moreover, Brexit has shown where euroscepticism can lead to, which has encouraged most governments wanting to be seen to be tough in defending perceived national interests and wanting to be tough also with UK so as to discourage domestic euroscepticism.

But, very important though it has been, the extent and the depth of the rising euroscepticism should not be exaggerated. In this context it was very noticeable that even at the height of the Greek crisis in July 2015, when most Greeks were blaming Germany for the tough austerity conditions that were being ‘imposed’ on them, the great majority of Greeks continued to support Greece’s membership of both the eurozone and the EU.

The Legitimacy/Democracy Challenge

As was noted above, for many years European integration developed on the basis of a ‘permissive consensus’ in which political elites advanced integration and in which citizens did not become directly involved. This
lack of direct involvement of citizens was wholly understandable, with the EU generally seen to be an economic success and with control of the public services that most directly affect citizens remaining firmly at the national level.

However, since the early 1990s the existence and acceptability of the permissive consensus has increasingly been questioned. Two main factors account for this. First, since the ‘re-launch’ of the integration project in the mid-1980s – with the Single European Market (SEM) programme and the Single European Act (SEA) – the EU has steadily assumed a much greater range of policy responsibilities. Its policy reach has deepened in relation to market-related matters and has been extended to policy spheres as various as equal opportunities, foreign policy, and monetary policy. As this policy deepening and widening has occurred, then so has it increasingly been asked ‘why do the processes that democratise and legitimise decision-makers at national level not also apply at European level?’ In short, the EU has increasingly been seen to display democratic and legitimacy deficits. Second, some member state governments have stoked popular concerns about aspects of the integration process, not least by choosing to hold, or being constitutionally obliged to hold, referendums on particular questions – mostly involving national ratifications of EU Treaties. The first referendum to promote such concern was held in Denmark in 1992, where a national referendum to ratify the Maastricht Treaty was rejected – in no small part because the Danes were reluctant to commit to the Maastricht Treaty provision that all member states apart from the UK must join the single currency system that was about to be built. The Danish ‘No’ led to a widespread debate across the EU over whether EU decision-makers were getting too far ahead of public opinion on integration issues. Subsequent rejections of EU Treaties by Irish voters on both the Nice and the Lisbon Treaties and by French and Dutch voters on the Constitutional Treaty have had a similar impact – though they have not done much to slow down the decision-makers.

The crises have intensified and sharpened the debate about the EU’s democratic and legitimacy credentials, not least as a result of the stronger powers the (non-elected) Commission has gained over the fiscal policies of eurozone states. Control of the national budget has traditionally been seen as one of the core elements of sovereignty, but following the Fiscal Pact Treaty the national budgets of eurozone states are now subject to tighter monitoring by the Commission, with financial penalties being available to it in the event of breaches of the revised and stricter Stability and Growth Pact rules.

The debate surrounding the democratic and legitimacy bases of the EU was put into a particularly intense perspective by the Greek crisis in 2015. Following the election to government in January 2015 of the Syriza-headed coalition government committed to an explicit anti-austerity programme, eurozone decision-makers insisted that the Greek government apply a tough austerity programme as a condition of being given the financial assistance it urgently needed. As a way of averting this pressure, in July the Greek Prime Minister, Alexis Tsipras, called an emergency referendum asking the Greek people whether or not the eurozone’s terms should be accepted, with the government making it clear it believed they should not. But, when the Greek people supported the government – with over 60 per cent voting against the austerity measures – the response of other eurozone states, led by Germany, was not to soften the terms being offered but actually to stiffen them. Faced with the probability of Greece’s exit from the eurozone if they maintained their anti-austerity stance, the government, as was explained earlier in the chapter, had little choice but to climb down and to accept much the same conditions that the Greek people had just rejected. As was widely asked at the time: what price now for democracy in Greece?

In so far as eurozone political leaders commented on the democratic and legitimacy implications of the events of July 2015, it was to say that it was not only Greek leaders who had democratic bases. They too had been elected to office; they too had responsibilities to their electorates, and amongst these responsibilities was looking after the interests of their domestic taxpayers and bank depositors – the ultimate providers of existing and future financial assistance to Greece. Were the political representatives of 309 million people living elsewhere in the eurozone to be told what to do by the representatives of the 11 million Greeks?

This last question highlights the problems the EU has with democracy and legitimacy. The EU is not a political system with a directly accountable source of leadership and decision-making capacity, but rather is a system in which leadership and decision-making capacity are shared, both between levels (especially the
EU and national levels) and between differing actors at the levels. Such a system can operate in a satisfactory democratic and legitimate manner if the key political leaders at central level are elected to power on the basis that they will look primarily to the political system as whole and if they have reasonably robust and independent powers to take decisions that are system-wide in their consequences. But, this is not the case in the EU, for the main political leaders are, and perceive themselves as being, primarily not EU-level representatives but rather sub-EU-level (that is, national-level) representatives, and their ability to take strong system-wide decisions is in practice heavily circumscribed by political realities.

There is thus a constantly ongoing debate and accompanying unease about the EU’s democratic and legitimacy bases, which the crises have exacerbated. At the heart of the debate and unease is that key EU decision-makers are not publicly accountable – either because they are not elected (as in the case of the European Commission and its President or the European Council President) or because where they are elected it is in national elections in which EU-wide matters rarely feature to any significant degree.

The sensitivity of this topic was clearly demonstrated in 2014 when much was made by ‘defenders’ of the EU’s democratic credentials of the way in which Jean-Claude Juncker became the new President of the Commission. For the first time, the President was, in effect, chosen by the EP, on the basis of him being the nominated candidate of the political group that gained most seats in the May 2014 EP elections. Unquestionably this marked a ‘democratic advance’ of sorts, but the fact was that during the election campaign there was virtually no public perception that voters were being invited to select the next Commission President, let alone what the policy implications might be of voting for one national political party as opposed to another (it is not possible to vote in EP elections directly for political groups). (See Chapter 12 for a fuller account of the selection of Juncker.)

Even more clearly, the sensitivity of the topic was openly displayed during the 2016 British referendum campaign, when much was made by the ‘Out’ side of the undemocratic nature of the EU. Running, and seemingly successful, themes of their campaign were ‘Let’s take back control of our country’ and ‘Return power from unelected people in Brussels’.

The EU’s (Declining?) Role and Influence in the International System

The EU has long been an extremely important presence and has exerted considerable influence on the world stage in terms of economic matters, especially trade. However, despite having foreign policy on its agenda since the early 1970s, it has always struggled to assert itself in respect of foreign policy and international security matters.

Since the Maastricht Treaty, when a Common Foreign and Security Policy (CFSP) was given explicit treaty foundations, the EU has developed a complex institutional machinery for dealing with foreign and external security policy, has issued numerous declarations on important foreign and external security policy issues, and has even undertaken ‘soft’ security actions – most of them focused on peace monitoring and peace promotion – of various kinds (see Chapter 22). But, notwithstanding the fact that important developments have occurred since the Maastricht Treaty, the fact remains that the EU is still not capable of ‘punching its weight’ in respect of foreign and external security policies.

In response to this unsatisfactory state of affairs, the Lisbon Treaty sought to strengthen the EU’s foreign and external security institutional capability. It did so in particular by making revisions to the Treaty on European Union (TEU) that: set out in greater detail than hitherto the nature of the CFSP’s goals; were more explicit than formerly about how defence policy was an integral part of the CFSP; established in a single post a High Representative of the Union for Foreign Affairs and Security Policy (in effect, an EU Foreign Minister); and created a European External Action Service (in effect, an EU diplomatic service). (These Lisbon Treaty changes are all considered in greater detail in Chapters 7 and 22.)

But, since the Lisbon Treaty came into effect in late 2009 there is little evidence of the EU having become a more united, let alone a more effective, international actor in respect of important foreign and security policy issues. It did contribute significantly to the negotiations on the agreement that was concluded with Iran in mid-2015, which involved limitations being placed on Iran’s nuclear
Concluding Remarks

The crises and challenges faced by the EU in recent years have been both system-shaking and system-shaping, with questions having arisen concerning core aspects of the EU’s very nature. Amongst the key questions that have been, and still are being, asked are: can the EU be an effective organisation when it has such disaggregated leadership?; is the EU’s (now long-standing) differentiation morphing into a two-speed Europe based on eurozone insiders and outsiders?; what are the consequences for the EU of Brexit and of Germany’s seeming increasing assertiveness and dominance?; and what are the implications for the integration process of rising euroscepticism, of the lack of emergence of a European identity, and of the continuance of democratic and legitimacy deficits?

The answers provided by EU decision-makers to most of these sort of questions are not instant but are addressed gradually and usually in an incremental manner over a considerable period of time. This is evidenced in the nature of the responses to the eurozone crisis, where from the early days of the crisis there was no shortage of short-term decisional responses to immediate problems, but there was not much in the way of a ‘big picture’ response. A ‘big picture’ response did not become available until December 2012, when the presidents of the European Council, the European Commission, the Eurogroup, and the ECB issued a report, which had been requested by the June 2012 European Council, setting out a specific and time-bound road map for the achievement of a ‘genuine’ EMU. In their report (Van Rompuy et al., 2012), the four presidents identified four building blocks as being necessary:

- an integrated financial framework;
- an integrated budgetary framework;
- an integrated economic policy framework; and
- appropriate mechanisms of democratic legitimacy and accountability, which would be necessary because all of the specific proposals made under the first three building blocks implied deeper integration.

However, apart from the first of these – which was already being partially constructed, in the form of the EBU, when ‘the Four Presidents’ Report’ was

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programme ‘in exchange’ for the lifting of trade sanctions. But, on most other key issues it has not been a key player. There was, for example, no clear or strong EU response to the ‘Arab Spring’ of 2011, and when atrocities accompanied the closing days of the Gaddafi regime in Libya the EU member states could not agree how to react. The consequence of this lack of agreement was that France and the UK took direct interventionist action themselves in the form of air strikes, but they did so under the umbrella not of the EU but rather of the North Atlantic Treaty Organisation (NATO). On other major foreign and security policy issues of recent years – including the civil war in Syria, Russian intervention in the Crimea and the Ukraine, and terrorist actions stemming from bases in the Middle East – the EU has similarly been internally divided on what actions, be they defensive or offensive, to launch.

There is nothing new about this relative weakness of the EU in respect of foreign and external security policy, or the reasons for it. As is shown in Chapter 22, the weakness arises mainly from two closely interconnected factors: the intergovernmental nature of CFSP decision-making and the very differing national interests that member states often have in relation to particular foreign and external security problems. But because the existence of a weak foreign and external security policy is not new, this does not mean that the weakness does not present a serious challenge for the EU. On the contrary, with international terrorism presenting an increasing threat to all, with the Middle East ever more turbulent, and with Russia seemingly becoming more aggressive, the foreign policy and external security challenges to the EU have become more important than ever.

This relative weakness of the EU as a foreign and security policy actor is arguably mirrored by comparable weaknesses in other spheres of external relations, with even the much-trumpeted strength in external trade declining as the size of the EU’s economy and its proportion of world trade have declined relatively. Webber (2016) shows the extent of the decline across a number of policy areas with, for example, the former gravitational pull of the EU as a major international ‘normative’ power – especially in promoting human rights, democracy, and regional cooperation – having significantly weakened.
being compiled – not much progress had been made in putting these building blocks into place by the time a similar report with similar conclusions, this time known as ‘the Five Presidents’ Report (the President of the EP was added), was issued in mid-2015 (Juncker et al., 2015). This lack of major and decisive action stems partly from a lack of clear and undisputed leadership, but mainly from differences between the member state governments on what to do: differences that are based on national interests and political orientations. So, for example, the second building block identified in the Four Presidents’ Report, which involves the creation of a fiscal union – that is, a union with significant direct tax-raising and revenue distribution and redistribution powers – touches on a host of highly politically sensitive and divisive issues. Doubtless a strong ‘push’ for a fiscal union and for the advancement of the other EMU building blocks will continue – as called for in the follow-up Five Presidents’ Report. But, practical progress will, of necessity, be on a step-by-step basis.

As the following chapters of this book show, this situation regarding the creation of a deeper EMU encapsulates many of the core features of the European integration process more generally: a constantly changing institutional architecture (seen, for example, in the increased management powers of the Commission and the ECB in respect of euro-zone economies); varying decision-making speeds (the EBU was constructed very quickly, but the other building blocks of a ‘genuine’ EMU are advancing only very slowly); an overall edging forward of the integration process, but only on a gradualistic basis; and, increasingly, important aspect of integration not involving all EU member states.
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