
Economic Crisis and State Sovereignty – European Union

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Abstract

The recent economic crisis is considered as a biggest world financial crisis that plunged the real economy into recession and destabilised the entire financial system around the globe. Several European members are deeply affected by the extension of this current crisis especially euro zone. The euro zone financial turbulence and the political crisis have revealed weaknesses in European integration and raised the question against euro as single currency and sovereignty of the national interest. The consequence of this has been widespread irritation between member states and never ending political and economic crisis. On going political dialogs between strong and weak economic player in side the European Union came over as a dominant player for the idea of European integration, which is noticed as one stronger step towards federal system of European Union, beyond the national interest. In fact, the recent crisis has tested the European Union to the most by examining their decision-making institutions. By analysing the period from 2008 to February 2012 shows that the European Union is a political edifice that develops as crises occur, and explain the complexity of integration by specifying the indicators of good governance of transparency, legitimacy, accountability, efficiency, and to achieve them in a heterogeneous group of 27 countries that are only slowly developing a common European identity and raising question of continuation of European Union.

Keywords: European Union, crisis, euro, common norms, integration

1. Introduction:

Since the dawn of economic crisis, Europe as a single economic entity has entered a period in which their limits are being tested. The questions about Euro as a homogenous currency, European integration and national independency are being raised on the face of member nations. And as frustrating as it may be for Europeans, according to the majority of economics pundits, the world is about to witness the downfall of the largest economy in the world. But, there are few optimists who believe that it was during the crisis period in which European progressed most. Regardless of what prophets opine, from the general perspective, we cannot neglect the fact that the future of the European Union is in peril due to bankruptcy of some weaker members and concerns regarding the richer nations' tax-payers' willingness to help them. This is one of the reasons behind difficulty in European decision. And the world is asking if European Union is still able to take these necessary steps? A member can question the decision of the EU and this hampers the credibility of the central decision to some extent. It is not a secret that members have opted for intergovernmental decision making procedure, which enables them to choose their own fortune. As we all know, nobody wants to pay for neighbour's faults. Despite these benefits, intergovernmental decision-making procedure is not a good way to inspire foreign or indigenous investors.

2. "Crisis" - end of the Euro Zone?

A question is in front of the European Union for Euro as a common currency and solution of current crisis. Can the euro zone curb the debt crisis? When rescue packages for Greece failed to impress, the questions regarding Euro-Zone's debt crisis have re-surfaced. It cannot be said that Spain and Italy do not have hard times in store. And, clearly, in such situation the late response of member states is not helping. Present crisis and its consequences have to be taken seriously. Likely dangers could be listed as dearth of cash flow, fear of recession, denationalisation, diversion from common policies, exit of members from euro zone etc. Indifferent viewers take the possibility of denationalisation to be the greatest hazard of all. The entire member nations want to be the master of their own. The German constitutional court forces

consultation with Bundestag before making any financial agreement at the European level. British parliament has decided not to follow the decision of European Court of Human Rights. It is clear that, when it comes to economic independency and national sovereignty governments see themselves at the highest level. So, withdrawal from European Union membership and Euro Zone cannot be neglected. Nullifying membership will not work in favour of anybody. Weaker players will see the worst in the short run, as they will be forced to use their independent currency. Obviously, their currency will be highly devaluated. Though the export may boost to a level, it will be many years before the level of wealth and prosperity of citizen will be restored. For the stronger ones, the fear of another economic crisis will create a serious problem in the cash flow and banking. The reduced export and barriers at the borders will surely inflict the trade and deficit will be inevitable.

As it seems Europe is hitting its lowest in a long time. But it will be too early to give up in despair. It took more than half a century to mold European Union into its current form. The effort, which all the members put for such a long time, has certainly created strong bond between them. It is also important to remember that it is the world's largest Economy and it has been withstanding crisis, quite nicely, for more than 4 years. It still boasts single currency, which happens to be one of the most important reserve currency in the world. Since introduction of Euro in 1999, the region has progressed a lot. Number of jobs has raised significantly, all the members', and of the EU as whole, GDP has increased and it is still the leading example for Globalisation. Euro has been consistent over dollar even in such a time. So, probably poor economic decision and improper budget planning is being referred as "EURO CRISIS".

Additionally, it will be worth memorising that Europe has seen fewer deficits and has lower public debt than USA. So, we know that on its good days Europe has been mesmerising example for the whole world and it should not be difficult for members to comprehend that it is worth the trouble.

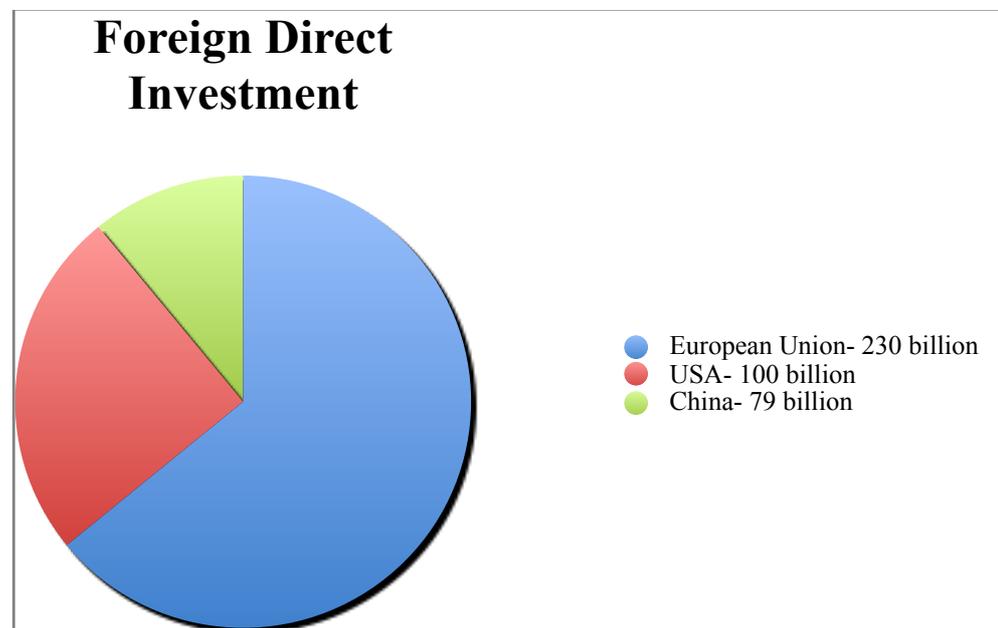
3. Hope to Succeed

The model of the European Union has been created before 60 years and successfully integrated 27 member states. We must remember that the European Union still consider as the largest market and strongest economy in the world with single currency- a single market with 2378 billion €, against 1416 for the USA and 2235€ for Asia.

In spite of the crisis, euro zone's improvement has been seen much higher than others. Even number of Jobs has been created in the European Union higher then the United States of America.

Comparing figure of employment under the European Union and United States of America: *12.5 million out of 332 million populations in the euro zone against only 6.7 million out of 313 million populations in the USA.*

With good infrastructures and strong educational system, *the European Union is a leading beneficiary of foreign direct investments in the world: 230 billion euros, in comparison with 100 for the USA and 79 for China.*



The world's second most important reserve currency is euro. The "Euro Crisis" is in fact primarily a national budgetary policy crisis and that of differences in

competitiveness between the euro zone Member States. Even euro zone has a lower deficit and public debt than those of the USA (-4.3% and 88.5% of GDP respectively for 2011 in the euro zone in comparison with 10% and 102.4% of GDP for the US). Despite of these facts the European society and social justice with greater equality of human development maintain first position of Europe among the world society.

4. Present Crisis and Federalism

Current Scenario presents the incomplete nature of the European Union and political integration with single currency as euro. Europe now faces both a danger and an opportunity: the danger may lead to the collapse of the euro zone and the dismantling of the Union; the opportunity has to lead to the finalisation of the integration project from a budgetary and political point of view. Curiously the most recent time has been marked by the clear wish on the part of national political elites to give up all references to any “federal” future for the European project. Indeed in the negotiation on the Lisbon Treaty, which followed the rejection of the constitutional treaty by France and then the Netherlands, a certain number of Member States – which form a kind of EFTA.

Due to a trick of history the present crisis is forcing European economic policy to become increasingly federal. The European Financial Stability Facility (EFSF) is nothing more than a mechanism by which some States will borrow on the markets for other distressed States, thereby establishing risk spreading within the euro zone. The rigorous conditions that are associated with it limit de facto the sovereignty of the States that take advantage of the aid plans. Moreover the crisis has strengthened the role played by an institution that is federal in nature, the European Central Bank whose role as lender of last resort alone, which it still is not seems to calm the markets. Finally, the Member States, under the pressure of the crisis have laid the foundations of macro-economic and wider financial surveillance.

The crisis has led to vital thought about the reform of the economic governance of the Union. But the proposal of “economic government” – a debate that was revived by Angela Merkel- German Chancellor, is the focus of much less consensus, although it addresses the real issue: the need for clarification,

simplification and the legitimisation of European economic policy. This debate reveals the dividing lines that any decision maker has to bear in mind if he wants to launch and carry the debate forward on realistic foundations and to build something that will last. Government, which is synonymous to politicisation and interventionism in France, reflects the hope for independently implemented rules in Germany and reveals the spectre of federalism and the threat to freedom in the UK or in Central Europe. But if they cannot agree on a common idea of the political and economic system for the Union, i.e. in reality, federalism – the Member States will not be able to agree on a common type of government.

5. Which direction to go?

Federalism consist various levels of government and coordination between one another political institutions. In the European Union, we have seen the lack of coordination at administrative and state level, which increase disputes in terms of distribution of powers. In the federal model ‘Central Government’ consider as more powerful then the states government. Central Government supposes to control all supreme power related with budgetary decision, foreign policy, defence, immigration, police, security protection and healthcare, energy independence. But the European Union has never got entered in such a model to provide supreme authority in central government where state sovereignty comes first to protect own interest. The Union now devotes itself to redistribution, which leads to appropriation conflicts. Though, in a globalised world it would seem logical for the Union to have supreme instruments at its disposal. The European Union federal model is a demand of today’s globalised world to protect them and provide strong support to the member states.

An integration of the European Union has bee proved in different ways- integration with a single currency as ‘euro’, the Schengen Area, Free boarder agreement, free economic zone, free tariff plans, intergovernmental cooperation, etc. Currently, it consist 27 countries and day by day number of member states are increasing. Now question is this expansion of member states integration consider right way?

European integration is now committed to a new political outlook which affect State's sovereignty and national socio-political consensus, for which it is even more difficult for European governments to give up their 'right to veto', notably those in Central and Eastern Europe, which recovered or discovered – their sovereignty at the same time as democracy. Hence the heterogeneity of interests within the Union has to be recognised, whilst allowing room for future joint action. This is precisely the path that Germany and France have decided to take in their plan to create a common business tax by 2013. Moreover and above all, are the revelation of differences and the civilised settlement of disagreement not the necessary conditions for democratic policy? Hence the making of European federalism must lead to the admission that the Union has to be politicised and to the establishment of the conditions for political debate, if we want to prevent the European democratic model from being reduced to the juxtaposition of common policies without any real political life, i.e. without debate and without competition in terms of the fundamental political challenges that Europeans face. If citizens continue to think that political, economic and social issues cannot be debated and settled by their various democracies, both at the State and Union level, then the latter will continue to grow weaker and leave room for the emergence of populism and extremes. Although we might be glad that the crisis is leading to greater federalisation of the economic policy, Europe cannot afford continue its integration under obligation and only according to necessity. A project such as this has to be undertaken according to a prior plan that enjoys an adequate level of political legitimacy. If European policy is to make sense again then we must immediately remedy its total lack of courage and be brave enough to debate quite openly the content that is to be given to the future European project.

CONCLUSION

It is rule of nature that every problem comes with a solution; we just have to find the proper way to deal with them. In my opinion, the problems that EU is facing currently should be reassessed, prioritised and then dealt with one by one. The major problems are bankruptcy of member nations, the possibility of Euro being dissolved, probability of cancellation of membership by strong nations, the choice of national

interest over European and the credibility of decisions made at the European level. At this instant none of these possibilities can be neglected. There are also economic problems like financial crisis and a chance of it turning into severe economic crisis. We have seen some reluctance to invest in some parts of Europe and prevalence of public debt is not helping the situation either. Now, It is up to the European Union and national politicians and beyond that, all players who want to be involved in rising to the challenge, the difficulty and degree of which is similar to that facing the Founding Fathers of Europe after the Second World War. But time is running out; every week that passes, which is ruled by uncertainty over the future of the Union, increases the chances that Europe will be forced to make radical choices without having been able or wanting to debate them. So, it can be said that Europe is in crisis in all-political and economic sectors but political integration process must be continue.

It is in the difficult times, that we discover someone's true potential. It is time for Europe to show the world what it is capable of. It is time for it to rise, for it to show that its walls are still as strong as they were, to show that it is still a family of 27 members and that they could be united and can work as one for common benefit in dark hours. It is time to leave the suspicions and selfishness behind. And the time is pleading stronger members to rescue the weaker ones from the crisis and show that the bonds created in 6 long decades do not just fade away. It is also very important to believe that "unity is strength". Finally, I believe that, just a bit of effort is required and all the disputes will be solved, all the problems will fade and Europe will rise once again. After all, it is always dawn that follows the night.

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