

The EU is falling apart

Oliver Hartwich | The New Zealand Initiative | 17 September 2015

Last week, I wrote in this column that Europe's refugee crisis could undo the EU. This week, I notice how much progress has been achieved in that respect over the past seven days.

It is breathtaking to watch how fast cornerstones of European integration are being undone as a result of hundreds of thousands of asylum seekers entering the EU. Who would have thought only a week ago that several European countries are closing their borders and suspending international train connections? Who would have thought that as millions of people are entering the EU, its member states cannot even reach a binding agreement to redistribute even a small fraction of them?

Though this is at first sight a political rather than an economic crisis, the economic implications for the continent will be substantial. At stake is nothing less than the future of the EU and its common market. So far, Europe's political and economic integration has been a one-way street. It is now becoming clear that the next integration steps may well be backwards.

Let's put the current crisis in a broader context. Since the Treaty of Rome in 1957, which established the European Economic Community of just six member states (Belgium, France, Italy, Luxembourg, the Netherlands and West Germany), the European integration project has not only become larger but also much deeper.

Today's EU has 28 members. It is much more than just a free trade zone. It has integrated its economies, created a common currency for most of its members and effectively removed borders between them. No matter whether one agrees with the speed and direction of the European project, one has to acknowledge the EU has been successful at driving it forward – until this year.

In many ways, future historians may well regard 2015 as a watershed year for the EU.

First, there was the renewed eruption of the Greek debt crisis which led to unprecedented threats to suspend Greece's eurozone membership. Of course, there had been previous changes of government in Italy and Greece which happened under pressure from Brussels (leading to the removals of Prime Ministers George Papandreou and Silvio Berlusconi in 2011). But, the pressure on Greek Prime Minister Alexis Tsipras to surrender to EU demands despite having just won a referendum rejecting them was unprecedented.

This is not to say that Tsipras' position was either reasonable or tenable. However, the Greek crisis showed how brutal intra-EU dealings had become. Previously, such European conflicts would have been concluded at least with the semblance of compromise and heads held up

high on both sides. Not so this time – Greece's position was crushed and Tsipras humiliated, as much as he likes to pretend otherwise.

The Greek debt crisis of 2015 was thus a fitting prelude to the pan-European refugee crisis. Once again, the old EU ways of multilateralism and compromise were replaced by unilateral decisions and cross-border blame games. As a result, Europe suspended its old Schengen system of passport-free travel between countries. It effectively abolished its previous agreements on refugee policy and, in doing all that, it saw a return of the nation-state as the most important factor in European politics.

This has severe implications for the future of the EU. The past week has demonstrated that European integration can be reversed if national interests are at stake. If that is the case, however, then what is the purpose of the EU?

The free movement of people, capital, goods and services – in short, the EU's celebrated "four freedoms" – are no longer sacrosanct. It is possible, if the situation so requires, to re-erect border controls for people. The case of Greece also showed that capital controls can be introduced even within the eurozone.

What still remains intact of the old European integration project is only the free movement of goods and services, which has not yet been questioned. However, after the experiences of this year, one would not be too surprised if reasons were found to restrict these freedoms too, if a suitable crisis erupted.

The European Union is in a sorry state. If you don't want to take my word for it, just listen to the European Commission's President Jean-Claude Juncker (with whom I seldom agree). In his State of the Union speech last Wednesday, Juncker said: "Our European Union is not in a good state. There is not enough Europe in this Union. And there is not enough Union in this Union."

Juncker's observations are entirely correct. The EU no longer appears to be an organisation that channels its members' particular interests. Instead, it has become an arena for its members to battle out their different positions.

There is no obvious solution to the EU's crisis. 2015 has seen the re-emergence of the nation-state in Europe. It is the year in which the EU was demoted to a toothless tiger. And yet, there are much worse prospects on the horizon for the EU.

As all of these dramas unfold, Britain is heading towards its referendum on whether it wants to remain a part of this EU. The way things are going at the moment, who could possibly blame the Brits for saying 'No'? The easiest way for British Eurosceptics to win the referendum, possibly held next year, would be to just publicise Jean-Claude Juncker's State of the Union address. Britain's departure from the EU would be the ultimate proof that European integration can go into reverse.

As readers may know, I am not the greatest fan of the EU. It is an institution that has unfortunately become too bureaucratic, too removed from the people, and too sclerotic. But I am worried that in its crisis, all the things that were once good about the EU could also be swept away, especially the common market.

Europe in 2015 stands at the crossroads. The euro crisis and the refugee crisis are testing the foundations of the European project. Even if the EU survives this challenge, it will be a much changed and probably much weaker union for the future. While that would not be too bad in itself, the prospect of resurgent nationalism and protectionism in Europe is just too frightening to consider.



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