Available online at www.sciencedirect.com
ScienceDirect
Procedia - Social and Behavioral Sciences 143 (2014) 843 – 846
Procedia
Social and Behavioral Sciences

CY-ICER 2014

Challenges for the European Union in times of crisis: reactions

Lucica Matei [a]*, Andrei Calapod [b]

[ab] *National School of Political Studies and Public Administration (NSPSPA), Bucharest, Romania*

Abstract

Since the beginning of its existence in the form of communities, this entity faced a lot of challenges that could had been stopped the European dream without the fast, prompt and appropriate reaction of the decision makers. There were a lot of difficult times in its history of more than 60 years but the ambition and need of going forward on the way of integration prevailed and today we can talk about European Union as one of the most important global players, having one of the most complex and fascinating political system. The tenacity and the willing to succeed of the decision makers made this possible. Moments like "The Empty Chair Crisis", changes with regards to the decision making process, convenient for ones but inconvenient for the others, lack of consensus with regards to the new accessions, the big changes that Europe went through in the late 80s etc. showed that the decision makers can have an appropriate response whatever the problem would be and that we must stay together and go on dreaming to an united nation in the form of a federation. Nowadays we are facing maybe the most difficult moment in European Union history. Many of the member states were and still are on the edge. A lot of immediate and prompt actions were taken since the start of financial crisis, either political or economic, drove by the need of going on. We are too much into the integration process, too much dependent one of each other so that we cannot stop and simply go back only to the concept of national state.

Peer-review under responsibility of the Organizing Committee of CY-ICER 2014.

Keywords: Challenges, crisis, reactions, European Union;

1. Introduction

European Union is one of the most complex political systems nowadays. It has a six decades history of changes, reforms and adaptations to the new realities. Its decision making process and administration were reformed and adapted all these years in order to be able to achieve the objectives and to get a higher integration at the European

* Corresponding author: Lucica Matei.
E-mail address: amatei@snspa.ro

Peer-review under responsibility of the Organizing Committee of CY-ICER 2014.
doi:10.1016/j.sbspro.2014.07.487

level.

Of course that this wouldn't have been possible without the fast, prompt and appropriate reaction of the decision makers to the challenges that this entity faced. We will see in this article what was the reaction to those challenges with a focus of course on the on-going financial and economic crisis. The European integration started in 1951 when the Treaty of Paris established the European Coal and Steel Community. At that time it was intended only to avoid a new war in Europe by a joint management of the steel and coal resources. If we can talk only about a small community at that time with no higher purposes and made up of only 6 members, we can now talk about European Union as an economic, political and monetary union so that about an integration of the member states on all these layers due to the changes established by the treaties adopted during all these years.

But the construction of this entity was not an easy process. A lot of states were interested in accessing to it thanks to the facilities granted by the member statute. Moreover, the communities and then the European Union gradually extended, being now an entity that joins 28 members. The purposes, targets and goals of the organization were continuously changed due to the new realities and opportunities and therefore the decision making process had to be adapted and the states to give up many of their sovereign competences that were embedded in the EU's competences.

I. Stuck points

The first turning point and probably the most important and hard to deal with by the time of the current financial and economic crisis was the revolt of France that did not accept the direction set for the European communities: supra-national regulation in more and more areas of action. France did not accept to give up its sovereignty and left the Council but not also the communities and therefore the decision making process within the Council has been stocked for 9 months. This was called "The Empty Chair Crisis". France wished that the qualified majority not to be applicable for those decisions of higher interests for the member states.

In order to overtake this crisis it was agreed a compromise called "The Luxembourg Compromise" which stated that the qualified majority is allowed unless the member states interests are not affected by the decision that is to be taken. This was of course not the only moment when the European construction and integration was on the edge. We want to mention here the stuck point of not granting the accession to the Denmark because of the negative feedback expressed by France. This point was eventually overtaken when Charles de Gaulle left the office. Challenges occurred anytime when a new treaty was to be adopted because of the fact that states had to put other sovereign competences together at the supranational level but the need and the wish of integration prevailed. The most important stuck point in this sense was probably the rejection of the Constitutional Treaty in 2004 by France and Netherlands, which did not accept the idea of a constitution or supranational state. The decision maker's ability made that a similar treaty having few minor changes and excluding the concept of European constitution, the EU's symbols like the flag, anthem and motto and the communitarian law prevalence provision, to be adopted in 2007 in Lisbon and to enter into force in 2009. A nice technique was used here: "the veil strategy" which consisted of hiding under a veil (of classical treaties) the basic elements of a constitution so that the reform to be perceived as new and the new treaty to can be ratified by the national parliaments, avoiding the referendum this way.

II. Challenges and reactions to the financial crisis

The last crisis the European Union went and still goes through is the financial and economic crisis, which hit the states all over the world and had a very negative impact over the global order. Even if the last one, it was the first after the creation of the Euro coin and maybe the most difficult to overtake since EU's creation. Europe was on an ascendant trend that allowed it to be so much involved in the global political economy. The member states' economies had increased almost every year since the mid 90s and so that the new member states' economies. The unemployment rate was at its lowest level since the creation so that it was nothing but only hope for the future.

The problem was that all these were based on unsustainable loans in both public and private sector. Suddenly, the European banks, the main promoters of those unsustainable loans, realized that they had a high portfolio of sovereign debts. Therefore, they decided to reduce the loans, hence, the households reduced their expenditures and the states reduced the budgets. Europe was in the middle of a vicious circle hard to get out of. The end of 2008 meant for the EU the decrease of the main macro-economic indicators: GDP growth rate, employment growth rate or investments. This period is also marked by significant changes within the labour market in the sense of a dramatic decrease of employment or the decrease of new jobs creation. The crisis affected in other words the jobs' "economy". Moreover, a lot of countries were in a severe danger of insolvency and collapse and this would have had a dramatic impact on the European Union and more specifically on the euro area. We well know that if one of the economies has good results, this automatically brings benefits for the others but we also know that the domino effect in case of one's collapse can occur. On the other hand, EU started to face integration issues. Most of the citizens, especially those of the most important states, were sure that the integration drove them to this end and they were in favour of going back to the nation state and did not agree to go on by saving the others (i.e. Greece, Spain, Portugal, Ireland) with their money because of the past disobedience of the rules.

Therefore the challenges for the European Union and its decision makers were tremendous. They needed to save those countries that were severely damaged by the crisis, to adopt new supervision and regulation mechanisms in order to avoid future similar issues and in the same time to avoid the end of the European integration and the European supra-national entity. Some of the countries were reluctant to save the other ones and they were entitled to have this reaction as long as the rules were disobeyed and the feast was based on loans.

The severe crisis showed that the policy coordination between member states at the European level had to be improved and this was addressed by the adoption of the legislative package that strengthened the existing Stability and Growth Pact (SGP). The focus has been shifted from correction to prevention. The main strategy is now to detect the weaknesses in the economy. This helps to improve competitiveness in all member states. Along with the Europe 2020 strategy, focused on growth and the creation of new jobs, the SGP is now aligned in a single coordination circle named European Semester. This new mechanism allows European Commission to assess the budgetary plans and structural reforms of the member states prior to their adoption. Recommendations can be issued if needed.

Beyond the European Semester was adopted the Euro Plus Pact by the euro area and six non-euro area countries in order to further improve the efforts in coordination of economic policies. The pact is focused mainly on the competitiveness, jobs, public finances sustainability and the consolidation of financial stability. The fiscal discipline was also addressed in the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, adopted by the euro area and eight non-euro area countries. Other reactions, this time oriented to the most affected countries salvation, were the establishments of the "European Financial and Stabilization Mechanism" set up by the EU and "The European Financial Stability Facility", laid down by the Euro group. Moreover, in 2012, the finance ministers of the euro area established a permanent crisis management mechanism named "The European Stability Mechanism". With a capacity of 500 billion euro, this will finance all the financial support for the euro area.

As the financial institutions needed also a more careful supervision in order to avoid future similar sideslips, EU established new supervisory authorities like European Banking Authority, the European Insurance and Occupational Pensions Authority, the European Securities and Markets Authority and the European Systemic Risk Board for macro-prudential supervision. The aim is to eventually establish a banking union at the European level and this is still debated between the Commission, European Parliament and European Council. Another reaction of the European Union's decision makers was the adoption of Europe 2020 strategy in 2010. It sets common targets to promote growth and provides a framework for smart, sustainable and inclusive growth.

All these reactions addressed the lack of uniformity that the EU and most specific, the euro zone had: different economic, financial, social and political realities that were along with the loans, the main causes of the crisis that Europe went through. The euro zone is a Monetary Union but not also a financial one. That is why nowhere else the structural impact was greater than within this area. Here, a lot of trans-border operations are undertaken, while the prerogatives in terms of regulation and surveillance of the taxes and budgetary policies are mainly with the national states.

What needs to be said here is that for a very long period, prior to the financial and economic crisis, the common policies were focused on the market opening, agriculture and international trade. The crisis changed this orientation and the policies are now focused on the coordination of economic policies of the member states with the help of new legal instruments. What defines the European Union in this period is the fact that its action is within and outside the treaties regulations. There has been a gradual but clear tendency to have recourse to legal and institutional arrangements that are not exclusively internal to the EU framework, but which are instead partly internal, partly external to the EU's legal order. It can be said that the most important reaction of the decision makers during this period was not to adopt the essential decisions based on the rules laid down by the Lisbon Treaty but to avoid them and to use mechanisms which minimized the functions and the role of the Union's channels. Hence, the decisions were taken using a specific form of national governments coordination or putting together legal EU public international law instruments. We have here the example of the Euro Plus Pact that was adopted as an international agreement between the heads of the states or governments within the euro zone and the financial assistance for Greece that was granted in the form of an international agreement between Greece, euro member states and International Monetary Fund.

Apart from these, the most important decisions were laid down within the euro zone Summits, Council of Economic and Financial Affairs or within the European Council. Therefore, mostly intergovernmental institutions took the decisions. This does not mean that the communitarian instruments were not used during this period but they were not mainly used. Reforms were made also using the ordinary legislative procedure and we have the example of the Six Pack and Two Pack. This reality was most sure influenced by the fact that the member sates' governments were reluctant to overtake the crisis by transferring new sovereign competences at the supranational level and by the necessity of national funds involvement here and subsequently the involvement of national parliaments. Another thing that can be added and count as a reaction, is the increasing role of some member states over others. We like to say that European Union had two engines (France and Germany) attached to one single locomotive, which is Germany. The essential decisions were drafted by the German chancellor Angela Merkel and the French president Nicolas Sarkozy and then submitted for approval within the European Council or euro zone summits.

Conclusion

European Union's decision makers were able to find solutions anytime EU went through a crisis, major or not. This was driven by the need and wish of integration at the beginning and then by the need of going on due to the fact that the EU's or Euro member states were too much into the integration process and they couldn't stop and simply go back to the concept and realities of the national state. The decision makers made use of compromise and understanding in their efforts of overcoming the crisis and the measures proved to be in accordance with the needs and to be useful. The European Union went on every time, no matter the severity and the implications of the crisis and this gives us hope for the present and future.

References

Bărbulescu, I. G., *Procesul decizional în Uniunea Europeană*, Publisher: Polirom, Iași, 2008;

Chiti, E. & Teixeira, P. G.,The constitutional implications of the european responses to the financial and debt crisis, Common Market Law Review 50, 2013, pp.683-708, accessed on 3rd of September 2013 at http://search.proquest.com.ux4ll8xu6v.useaccesscontrol.com/pqcentral/docview/1399960345;

Deianu, D., *Euro Zone Crisis and EU Governance: Tackling a Flawed Design and Inadequate Policy Arrangements*, CASE Network Studies & Analyses No.43-2012, accessed on 16th of August 2013 at http://search.proquest.com.ux4ll8xu6v.useaccesscontrol.com/pqcentral/docview/920318836;

Luzarraga, F. A. & Llorente, M. G., *EUROPA VIITORULUI. Tratatul de la Lisabona* , Publisher: Polirom, Iași, 2011;

Matei, L. & Matei, A., *Local employment policies in the context of the economic crisis. Influences of the European Community structural instruments*, Journal of Economic Policy and Research, Vol.6, No.1, October 2010-March 2011, pp.48-73;

Matei, L. & Matei, A. *The administrative system of the European Union – From concept to reality,* Transylvanian review of Administrative Sciences, No.33 E/2011, pp.170-196;

Pardo, R., P., Leadership, decision-making and governance in the EU and East Asia: crisis and post-crisis, Springer-Verlag 2012, pp.77-90, accessed on 20th of August 2013 at http://link.springer.com.ux4ll8xu6v.useaccesscontrol.com/article/10.1007%2Fs10308-012-0316-4.