

European issues

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The European Union – a project to unify the continent, a project for the future

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SUMMARY:

After an introduction about the history of European integration and the initial nature of the European political project, the author then addresses three issues that are fundamental for the future. With regard to the debt crisis he insists on the fact that the economic base of the euro zone is strong and that the fears expressed by the markets are not economically very rational. He speaks of the reform of European governance, ongoing over the last 18 months and the need to "combine budgetary discipline and growth strategy", whilst developing Economic and Budgetary Union. The crisis has revealed Member States' interdependence and the need for "more Europe" notably more "solidarity" and "responsibility". Moreover Europe might rise better to the challenges that the Union is facing on the world stage (the rising power of the emerging states, peace-keeping, re-balancing of international trade, the fight against inflation, energy, environment, immigration etc ...), if it stood as one. Finally the "Arab Spring" has reminded Europe of its immediate neighbourhood in the Mediterranean. It is facing new challenges that it will be able to rise to if it shows political determination and in a spirit of cooperation. rights, the supervision of key technologies; finally we need to develop an intelligent, coordinated, reciprocal policy in extra-European international trade. Hence in an extremely pragmatic manner and in the way Jean Monnet and Robert Schuman would have done, Europe's industrial ambition will be accomplished thanks to specific structuring action.

Over the last 60 years the peoples of Europe have patiently and determinedly built an area of peace and prosperity in which, today, 500 million Europeans live. It is a success story without equal.

The approach adopted post-war was to lead to the reconciliation of age old enemies. To achieve this goal the Founding Fathers of Europe drew up an extremely audacious strategy. They had to work towards the creation of "de facto solidarity"[2] between nations that had been divided for a long time by political, and some physically insurmountable barriers. The strategy was incredibly successful. We have achieved a great deal. The internal market, the Schengen area and the common foreign policy bear witness to this. The euro, our common currency illustrates our unity and the success that we have been capable since 1950.

As the years have gone by the focus has been on economic integration but the goal has always been a political one.

And so it was with this original core of six founding countries that we have progressively been able to integrate the northern countries of Europe, then in the 1980's those of the Mediterranean that were emerging from dictatorship;

and finally in the 1990's the countries which were non-aligned during the Cold War were also integrated.

However the most audacious initiative was the reunification with the countries of Central and Eastern Europe across which the Iron Curtain had fallen after the war. The fall of the Berlin Wall led to a movement in support of Europe. Millions of people felt the need for freedom. They felt that it was possible to rid themselves of tyranny and discover the powerful winds of freedom. The "wind of change" marked Europe forever. Prior to 1989 the European Community mainly meant economic integration – but a new driving force then took hold of our joint venture. Thanks to its successive enlargements the European Union has become the political expression of our continent.

Now the process has to be completed. Accession by the Western Balkans will be the next stage. Their determination to join our club follows a period of barbarity and violence that seemed unthinkable in Europe after 1945. This should give us even greater incentive to receive them. I made this a priority in my work as Italian Foreign Minister. I am sure that Mario Monti's government will do the same.

1. <http://www.fondazionedegasperi.it/default.asp>

2. Robert Schuman, « For Europe », <http://www.robert-schuman.eu/ouvrage.php?num=126>

The Challenge of the Economic Crisis

This grand project to bring about the peaceful unification of the continent is in danger. We are experiencing a crisis that is affecting the heart – both tangible and symbolic – of the European Union. It is an existential crisis. And we have to overcome this.

Everything started, as you already know, with the Greek crisis. We did not really foresee that a country representing 2.5% of the euro zone's GDP could compromise its financial stability. We did not consider the level of interdependence of the European economies. And this led us to underestimate the danger of "contagion".

When the symptoms of the crisis appeared Europe had to take strong action. But the Union still did not have the right tools at its disposal. Monetary and financial integration moved faster than economic policy integration and banking supervision.

Hence policy lagged behind the markets. The "failure of the markets" and the "failure of policy" were the cause of the banking crisis, then of the sovereign debt crisis, which led to the turmoil which is rocking us and which has still not calmed down.

I would like to be clear on this. The differences in rates (or *spreads* to coin financial jargon) on the public debt bonds of some countries, including Italy have nothing to do with economic rationality.

I don't know whether we deplore the problems of public debt more or the weakness of European economic governance, the irrational panic of the markets or financial speculation. But it is absurd that the spreads, which are as great as those of the emerging countries such as Ukraine for example, have led to the risk of default for the euro zone countries!

The foundations of the euro zone remain sound. The euro zone's debt is easily less than that of the USA and Japan. The deficit is under control. The euro itself is still a strong currency. The proof of this is that in spite of everything the exchange rate has remained at \$1.30 for one euro. I am confident: rationality will prevail and the attack launched against European bonds, and therefore indirectly against the euro, will cease.

Of course Europeans will have to bear their share of the burden. It is important that we show we are resolutely determined to bring the euro back into calm waters. We shall do everything to guarantee the euro zone's stability.

We have already taken some important decisions. We have brought the Greek debt down to a bearable level; we have set up a firewall against contagion; we have worked to restore confidence in the European banking sector; we have launched a budgetary consolidation process and the means to enhance competitiveness in the Member States which find themselves under threat. Now we have to pass from stage 1, typified by austerity, to stage 2 – in which we shall have to combine budgetary discipline, growth strategy and job creation. As soon as the crisis started Italy acted in the belief

that there could be neither cover-ups nor short cuts. Italian President Giorgio Napolitano has quite rightly stressed this on several occasions. The decision to adopt the single currency is still valid and irreversible. For Europe and for Italy there is no other solution today than to continue with the euro.

The Italian has started to implement vital reforms to consolidate the State budget and revive competitiveness. Here I am only talking of the reform programme in Italy that was presented in October.

Since the time has come for difficult decisions, it is clear that in November greater convergence within the Italian political arena was necessary in order to continue reform.

Under the guidance of the President of the Republic, Mario Monti's government was set in place. A government, which, thanks to wide ranging parliamentary support, is adopting measures that will put Italy back on track. This is in its interest and in that of Europe.

More Europe, more democracy to open the way to the United States of Europe.

Now we have to strengthen economic convergence within the euro zone, improve budgetary discipline and deepen economic union. All countries will have to work towards the same goal in order to balance their budgets better and to be more integrated.

Responsibility and solidarity: every euro zone member holds the entire economic and political fate in their hands. The euro zone holds the economic and political fate of every member in its hands.

We need budgetary discipline as well as economic and budgetary integration. This is not only to be able to sanction those who do not respect the rules but also so that we can link our policies together and set out a truly European policy and not just a series of national policies; this will be to show that our future is a joint one. We must be aware that this means sharing sovereignty and that it is not a loss of sovereignty just for the countries in difficulty.

Now that budgetary rigour has been introduced we need clearer collective commitment in support of the euro and more structured economic growth.

Suggestions have already been made - the creation of eurobonds, the extension of the BCE's powers, so that it resembles the American Federal Reserve. I will not focus on details. The important thing is that we understand the idea behind this: it means more Europe. This is the right way to emerge from the crisis. It is up to the Union to settle internal challenges so that it can assert its positions in the face of major international challenges.

Once it has recovered its strength the Union will have to focus on external challenges.

The rest of the world is moving fast. Indian democracy has shown its economic clout. Tens and even hundreds of millions of people are emerging from poverty. The Chinese system has also shown a certain amount of

flexibility as it integrates the market economy into its model. In Latin America, nearly all of the dictatorships have disappeared and the entire continent is now on its feet. In Africa economic growth has been gathering pace over the last few years and, in spite of everything, there is more hope. In the context of globalisation, which our planet is experiencing, we need greater world governance. This is the grand road map which should inspire our action.

But to play a role in the new world that is now emerging, in the world of interdependence and global competition, Europeans will have to stand together.

This would be the clearest, most transparent demonstration of the permanent validity of the integration process. It will only be as a Union, in the subtle balance between unity and diversity that we have developed, that we can defend our interests and our values in a changing world. We are not lacking in resources. We have to revive and strengthen our political determination.

The challenges for a renewed, regenerated Europe are not lacking either.

Firstly, there are challenges to peace. There are a great number of them in our neighbourhood and they demand that Europe play its role. We must promote democratic consolidation in the countries that have just left authoritarian regimes behind them; rekindle dialogue between the Israelis and the Palestinian Authority with the aim of fostering a solution of two states that can live in peace and security together; we have to support the Arab League's role and ensure that we prevent the Iranian nuclear programme from destabilising the region. And these are just some examples which could grow in number if we consider that the Union has the ambition and the means to be a global player.

Secondly, there are economic, energetic and climatic challenges. The main one is to maintain free trade and yet master and balance globalisation. We have to make sure that the rules are well established and respected by all in these domains.

We have to ensure that economic growth in the emerging countries does not lead to excessive price rises in other countries. We have felt the direct effect of this.

We have to face issues of energy supply security and the diversification of sources. Increasingly this problem will become a world issue, and Europe will be affected in particular due to its energy dependency.

We must start looking into collective solutions to the most important global challenge: ecology. Europe is still on the leading edge in this, since it is the only region in the world that has binding legislation in terms of reducing CO2 emissions. But it will not be able to settle either the greenhouse gas problem or the other issues regarding the protection of the environment alone.

Within the Union we shall have to have serious, constructive discussions about a more common immigration and asylum policy. When I was European Com-

missioner I worked a great deal on this and I have continued this work in my capacity as a minister. It is an extremely sensitive issue on which Europe has lost a great deal of time. But it is clear that it must now be addressed Europe wide.

The hope of the Arab Spring and the reunification of the Mediterranean area

For thousands of years the Mediterranean was the centre of the world. We have to work for it take up that place again.

As you know in Europe we often speak of the "Arab Spring" when referring to the upheaval of the last few months in Tunisia and elsewhere. This has been highly symbolic for the Europeans. A parallel can be established between the aspiration to freedom and democracy that has been behind these revolutions and the hope that inspired the fight of the Eastern Europeans for several decades.

It is not out of eurocentrism that we use an expression drawn from our own recent history. It is because we acknowledge the universal nature of the underlying aspirations: dignity, freedom, democracy, the respect of rights. It is to highlight a feeling of fraternity towards the peoples on the southern shores of the Mediterranean.

Citizens of the Southern Mediterranean have shown us that there are no impossible challenges, just as the Europeans did in their fight to counter the communist regimes. This might mark the history of our region.

A free, democratic Maghreb that is respectful of diversity and open to the world would be an ideal partner for a Europe that is unifying. It would herald the end of the iron curtain, which is not quite as visible as the one that cut Europe in two, but which exists nevertheless. The curtain that has, for far too long, prevented the restoration of Mediterranean political and cultural unity. I am speaking here of a democratic Egypt, where Islamic political forces would cooperate with the international community and their neighbours - a new Libya, which we all helped to emerge from dictatorship.

We have to face the major challenges of the modern world together – climate change, the deterioration of the environment, access to water and energy, migration, Human Rights, intercultural dialogue.

I am convinced that North Africa and Europe would benefit enormously from closer cooperation in the scientific and academic areas. Greater exchange between universities and scientists would be the first, highly symbolic step to take.

Other real achievements might be to include environmental protection, particularly of the sea which both share, the Mediterranean. Just a few examples of these might be SME support in the south and north, civil protection in the face of maritime disasters, maritime seaways etc ...

We have created structures to facilitate this cooperation: the Barcelona Process just a few years ago and

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more recently Union for the Mediterranean. However, we should be aware that the institutions can be at the service of policies but they cannot replace them. They have to be given impetus. They have to be given a soul so that they function. And it is the people, the governments, politicians that have to do this.

As a macro-region we have the means and the moral energy to avoid the fate of decline.



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After the Italian general elections in 2008 he became Foreign Minister in Silvio Berlusconi's government (IV), that was in office from 7th May 2008 until 12th November 2011.

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