The European Union: Challenges and Prospects
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Abstract

The current European Union was born as an economic union and its progressive integration has paved the path to become a political entity. Considering Europe’s current challenges, some may argue that the future role that the EU could play still remains unclear and uncertain. The multilateral and rule-based post-1991 (post Cold War) ‘new world order’ is changing, and Europe is impacted by increasing unilateral and inward looking tendencies at the international level, as demonstrated by President Trump’s “America First” policy. Nationalist trends also affect the European Union domestically, where rising populist movements are damaging Member States’ cohesion. The present migration crisis shows up a deep division between a pro-Europe axis guided by Berlin and Paris, and Euro-sceptic countries such as the Visegrád bloc, Austria, and now Italy. The starting point to reverse the “national interests first” tendency is to understand the source of the EU’s problems. Among the reasons for the EU’s unpopularity, economic discrepancies stand out. Before talking of political union, the creation of a robust economic union is essential. Once these existing problems are fixed, the European Union could successfully develop its ambitious projects, such as PESCO (Permanent Structured Cooperation on Security and Defence).

The European Union’s Evolution

The European Union is a regional organisation born after the Second World War. The two world wars showed to West European states that the pursuit of short-term national interests would have led them to collapse. The atrocity of the conflicts, together with their economic repercussions, led the six founding countries to start a gradual process of integration aimed at both securing a lasting peace and recovering from an economic devastation. Thus Belgium, France, Germany, Italy, Luxembourg, and the Netherlands established the European Coal and Steel Community through the Paris Treaty in 1951. Collaboration on the
production of the two raw materials paved the path for the European Economic Community, also known as the Common Market, created in 1957 through the Rome Treaty. During the 1960s the European economy grew – thanks to the elimination of custom duties and the collective control over food production. Positive effects of the economic integration convinced Denmark, Ireland, and the initially sceptical United Kingdom to join in January, 1973. The Arab-Israeli conflict caused an energy crisis – as did the end of the Salazar regime in Portugal and the death of Franco in Spain – all resulting in economic difficulties in Europe. The European regional plan to invest in infrastructure and create employment in the poorest zones highlighted the European potential as an integrated economic actor. As a consequence, increased economic collaboration led to greater political amalgamation as demonstrated by the higher influence exerted by the European Parliament and by the first direct Europe-wide election achieved in 1979. The 1980s saw a further expansion through the inclusion of Greece, Portugal, and Spain. The economic collaboration improved with the signing of the Single European Act aimed at realising the Single Market in 1986, which further developed in 1993 through the freedom of “movements of goods, services, people, and finance”.

Politically, the collapse of the Soviet Union after the fall of the Berlin Wall in 1989, and the reunification of Germany in 1990, made Europe more united. The integration continued: in 1992, the signature of the Maastricht Treaty represented the foundation of the current European Union (EU). In 1995 Austria, Finland and Sweden joined the EU and in 1999 the Treaty of Amsterdam symbolised the attempt to reform European institutions with a view to the next enlargement. In addition, the Schengen agreements improved the “Europe without borders” concept. They allowed people to move across the Continent without border hindrances while facilitating integration. During the 2000s, both economic and the political integration grew. On the one hand, a large number of members gradually adopted the Euro as common currency. On the other hand, the attack at the Twin Towers on 9/11 and the succeeding events pushed the European countries to improve their collaboration on fighting crime and terrorism, in order to work together against a shared threat. Simultaneously, political divisions between West and East Europe stopped being an obstacle to integration, as demonstrated by the inclusion of 10 new countries in 2004, plus Bulgaria and Romania in 2007. Despite these major steps taken more than ten years ago, today it seems reasonable to wonder if the inherent differences between the countries were really overcome.

The European Union is an ever-changing structure, as demonstrated by the Lisbon Treaty, aimed at revising European institutions in order to make them suitable for enlargement even while facing a serious economic crisis. Moreover, the last two decades saw the Treaties of Maastricht, Amsterdam and Nice profoundly transform a Union that has more than doubled in size over 25 years. The last ten years have tested the EU’s capacity of standing up against domestic and global challenges. The economic crisis of 2008-09, Russian assertiveness (e.g. Crimea annexation in 2014), internal divisions signified by Brexit and the emergence of populist and eurosceptical movements, as well as refugees and migration flows - all have severely challenged the foundations of the European Union. From an international point of view, the EU has dealt with the emergence of new competitors and the shift from a unipolar system to a multipolar world, and the implementation of the Trump’s America First policy, which implies a reduced role of the US as international guarantor and damages transatlantic relations. The international framework is changing and the Western liberal order that emerged after the Cold War now risks collapse.

The EU-US Clash

When the founding members decided to launch European integration, they decided to take decisions around a table rather than test their power in the battlefield. They decided to prioritise the rule of law instead of the rule of force and cooperate to achieve shared interests. Based on this premise, the European
Union gradually developed a system without territorial boundaries and based on internal and global governance. This implies that the core of the governance is represented by a “game rules” structure, which makes the institutional mechanism work. The European enlargement started the process of improving internal governance, as demonstrated by the shift from an intergovernmental organisation to a supranational entity. Once Europe’s internal governance started working, it could be expanded to the rest of the world, which too would benefit from good governance. The cardinal principles of this good governance are “openness, participation, accountability, effectiveness, and coherence”. The main means to achieve it is the combination of an effective multilateralism with “international laws, common rules, and principles to reduce unilateral behavior”. Considering the EU framework described, the reasons why the United States is clashing with the European Union are easily understandable.

The European Union prefers a relative, holistic approach in terms of security. It tends to combine several types of resources (economic, humanitarian, diplomatic and, ultimately, military) aimed at reaching a structural policy of prevention and stabilisation. The implementation of the latter implies the creation of partnerships and an “effective multilateralism” governed by the international normative system. Europe has been the theatre of the two worst conflicts that have ever occurred, so it sees the most serious danger in the conflict rather than in the enemy. For this reason, the European strategy is based on three main factors: a moderation approach which emphasises soft power, a constructive political dialogue, and the inclination to use diplomatic and economic means rather than military resources. The diametrically opposed US and EU visions of the world system, and the US inclination to reduce its role as international guarantor, are reflected in the current crisis of NATO. The inability of most EU members (including Denmark, Germany, and Italy) of investing 2% of their domestic GDP in military spending, as well as Washington’s unilateral propensity, have a negative impact on NATO. After overcoming the 2003 deadlock, the bedrock of transatlantic relations is now experiencing a new crisis. The debate over NATO burden-sharing reflects internationally what Trump is privileging domestically: the refusal of US global leadership in favor of a sort of neo-isolationism, as demonstrated by the America First slogan. This, in turn, means that Trump is refusing to sustain the costs of international order, especially those of multilateral institutions.
The emergence of such unilateral leanings threaten the post-1991 liberal order, based on multilateralism and globalisation, the order on which the European Union is rooted. First of all, multilateralism is made up of both a qualitative and a quantitative dimension. The qualitative dimension indicates multilateralism as the “best practice” within the international arena – namely the best organisational pattern – as it implies “multilateral actions organised on a universal basis”\textsuperscript{13}. The quantitative dimension implies negotiations, deals, and institutions involving a large number of actors, which are able to improve the effectiveness of governance and make it capable of responding to global challenges. Although the EU still embraces multilateralism, the US rejects multilateral practices because of their costs. Binding cooperation, as well as the constant compromises required, are interpreted by Washington as a constraining network of rules which deprives the US of its sovereign freedom of action\textsuperscript{14}. As a result, Europe is seriously clashing with the US rejection of multilateralism, which is at the framework of European political thinking and EU integration.

Globalisation is the second feature that requires examination. Criticism of globalisation and the consequent preference for protectionist measures and the closure of boundaries, is another element of friction between the US and the EU. Although Europe criticises the US’s increasing inward tendency, however, it should be noted that the EU is itself experiencing serious problems exactly because of the increasing inward tendency of some Member States. Although the EU was born through economic cooperation, implemented the progressive dissolution of geographical borders and worked to achieve close collaboration among Member States to find suitable solutions to common problems, today this trend seems to be challenged by the progressive emergence of isolationist trends, together with a relative disinterest in international engagement, as demonstrated by the rise of proto-nationalist and populist movements\textsuperscript{15}.

\textbf{Intra-European Divisions and the Migration Crisis}

As widely recognised, recent waves of migration are a key issue that deserves careful attention. The geopolitical instability that characterises all the areas of North Africa and the Middle East has caused an unprecedented outflow of migrants, considering the short period of time in which they have occurred. Therefore, the distribution of these migrants has been the subject of debates, misunderstandings and divisions among EU Member States. Both non-harmonised and adequately controlled regularisation underline Europe’s current and future integration complexities, with consequent uncertainties for second-generation problems to follow. From Member States of the EU the difficulties are expected to be addressed collectively with shared goals. On the political agenda of various countries, however, "national interest" has predominated and undermined common EU action.

In recent years, the European Union has suffered from the surge of Euro-sceptic positions and revival of national sovereignty. These positions have been justified by the absence of a European constitution, a single decision-making organ and the lack of a common defence. As a consequence, different policy orientations have emerged, as demonstrated, for instance, by the Visegrád Axis made up of Hungary, Poland, the Czech Republic and Slovakia. Initially, the EU was a fascinating destination for the former Eastern European bloc. Today, the latter is rejecting any type of Brussels centralism and they perceive the multiculturalist feature of Europe as a threat. This implies that the main problem revolves around the search for a national identity, as opposed to a common European identity. As a result, nationalism seems to be the result of insecurity and requires to be addressed\textsuperscript{16}. Scepticism and mistrust against Brussels has increased in the last few years and the EU’s eastern bloc seems to have been attracted by Viktor Orban and Hungary’s example. The latest manifestation is the election of Sebastian Kurz in Austria, a leader who leans towards the Euro-sceptic
path guided by the Visegrád bloc rather than the group led by the pro-European Germany-France axis. Similarly, the recent government elected in Italy seems to embrace the line of far right parties, which are working on people’s fear and discontent. The direct consequence of the populist-nationalist movement’s rise is the emergence of rigid stances on crucial issues such as the refugee and migration problem. Seven years ago, the then EU President van Rompuy had warned that populist movements were “the most dangerous threat for the EU”, but even he could not imagine the current divisions among Member States. Austria, the Balkans, the Visegrád bloc and now Italy are all rejecting the EU’s migrant policy proposed by the Juncker Commission. The first sign of this division came with the wall of barbed wire built by Hungary along the Serbian border in September 2017. It is now indisputable that Orban prefers building walls rather than embracing the Schengen freedoms and modifying the national constitution rather than accept a share of migrants’ distribution. Hungary has approved a new law on asylum requests and decided not to welcome economic migrants. Orban has stated, “Hungary’s defence is our business. My government wants to prevent that Hungarians have to live with people we do not want”.

The latest demonstration of the intra-European divisions in terms of migration has come from Italy, the far-right interior minister Matteo Salvini refused to allow the entry of the rescue ship Aquarius carrying 629 migrants from North Africa (including 123 unaccompanied minors and seven pregnant women). The decision triggered a crisis not only within Italy but also at the European level, as demonstrated by the French President Emmanuel Macron’s statement describing the Italian action as an act of “cynicism and irresponsibility”. The deadlock has been resolved thanks to Spanish Prime Minister Pedro Sanchez, who offered to take the Aquarius into Valencia after eight days of encountering closed harbours. Thereafter, Macron stated that France was ready to welcome migrants qualifying for asylum.

This crisis of migrants coming from North Africa and the Middle East, as well as the related European divisions, represents “an even more dangerous threat to EU cohesion than the 2010-2013 economic crisis”. For this reason, it is worthwhile to analyse the European Union line and the positions of the main actors.

The Dublin Regulations guide the European Union’s reception of asylum seekers. Every asylum request has to be examined by just one member state. The rationale of this principle is that the country which accepts a migrant is also the country in which the migrant is expected to live for the following years at the expense of the host country. Considering the migratory waves of the last years, the principle has become unsustainable, especially for countries particularly exposed to the Mediterranean routes, such as Greece and Italy. For this reason, these regulations need to be updated.

In the last four years, Italy has taken charge of 650,000 disembarkations, 430,000 asylum requests, and 170,000 alleged refugees involving over 5 billion Euros of spending. Mr. Salvini’s policy reflects a “zero tolerance” line. This implies the closure of Italian harbours, the opening of new expulsion centers, a quicker examination process of asylum seekers’ applications, and new agreements with countries of origin from which departures should be stopped. For Mr. Salvini, the migration issue is a win-win game. On one hand, he unites the right-wing movement domestically. On the other, the Italian interior minister not only improves his international standing as a political figure, but he also challenges Brussels in trying to redefine the role of Italy in Europe.

Austria supports this Italian stand, as both countries agree that the EU Commission’s solidarity actually rewards migration traffickers instead of domestic populations. For Vienna, the main focus is on land borders. According to the Austrian Defence Minister, Mario Kunasek, Frontex (the European Border and Coast Guard Agency that helps the EU countries and Schengen associated countries to manage their external borders) should check the external borders. The mission should involve both the police and the military, with the latter acting “under civilian command and collaborating with border guards in providing logistics, reconnaissance tools and weapons”. What causes apprehension in Brussels is that Euro-sceptic Austria will hold the rotating presidency of the EU Council of Ministers starting from July 1, 2018.

Against this position, French President Macron is calling for “more Europe” and “solidarity mechanisms”, aimed at cooperating with countries of both origin and transit, in order to prevent people-smuggling. His migration project for the EU implies the transformation of Frontex into a sort of “European border police”. In addition, the French President proposes landing points funded by the EU on European soil (Salvini maintains that they should be built in countries of origin), and sanctions
Germany is the European member State that receives the highest number of asylum applications. Germany is also the second largest destination for asylum seekers’ applications (after the US): roughly 222,000 in 2017 and 722,360 in 2016. (The latter data partially reflected the delayed registrations from the previous year). In 2015, in fact, Angela Merkel decided to open national borders to hundreds of thousands of migrants, and “she is still paying the price of that decision at home.” Bavaria’s Christian Social Union (CSU), the German government’s sister party, wants to expel migrants who do not have documents or are already registered in another EU Member State. This implies border closure and a direction change in Merkel’s immigration policy. The German Chancellor opposes the CSU position, as she does not want to modify her open-door policy, or weaken her political power.

The EU leaders looked for a comprehensive approach to the migration issue at their Brussels Summit on June 28-29, 2018. The European Council called for more cooperation among Member States not only to increase the control of EU’s external borders and the external action but also to improve the internal aspects. The main goal was finding a common path to address what the International Organization for Migration (IOM) defines “not a migration crisis, rather a humanitarian one” because of the roughly 16,000 people dead or missing at sea in the last three years.

In order to decrease illegal migration flows and avoid returning to the rampant migrants’ flood of 2015, the EU leaders agreed on a set of decisions, in particular on the creation of regional disembarkation platforms on European soil. The “voluntary” project is aimed at safely and rapidly distinguishing irregular migrants from asylum seekers. It is still unclear how the proposal will effectively function and which countries would welcome those who need international protection. The EU is also considering the setting up of controlled centers in countries of origin (basically in North Africa) in order to curb people-smuggling. However, doubts about the willingness and the capability of these countries to develop such a system persist. More European support to Italy and other frontline Member States, as well as a deeper collaboration with both transit and origin countries, are included in the conclusions of this Summit.

Internal EU “legislative and administrative measures” to discipline secondary movements within the bloc and a consensus over the Dublin Regulations are still awaited, but the Brussels Summit represented an opportunity to soften the EU’s divides on the migration issue. The EU’s leaders, however, will be hard pressed to find common solutions and making the EU work as a whole.

Bitter divisions over migration reflect deeper differences within the EU. These find political expression in the emergence of populist movements and increasing Euroscepticism among EU countries. In order to address this trend, understanding the European Union’s ‘unpopularity’ or ‘declining esteem’ is crucial. Similarly, analysing the source of the Member States’ differences...
is vital, as the European discrepancies are related to economic issues.

**EU’s Popularity Deficit**

Understanding what could be the causes of the EU’s popularity deficit, it would be relevant to dwell not just on the factual triggers of public opinion but also on those as simply perceived by “European citizens”, two words of inestimable weight whose importance is often underestimated or, worse, not fully understood.

The refugee crisis and the resultant Euroscepticism have already been outlined above. External conditions also do not favour the EU. Turkey has turned its back on a group from which it once felt rejected; the election of an American President not only hostile to multilateral rules based trade but also little inclined to meaningful transatlantic cooperation, signal that European affairs are becoming more complex. The decision of the United Kingdom to leave the EU only gave voice to the weaknesses within the Union which, if not remedied, are likely to lead to its implosion. Brexit showcased London’s refusal to embark on a path towards “European federalism” (only 6% of the British agreed to transfer more powers to Brussels), as well as growing British confidence in their own institutions and governance.

Some national governments do not hesitate to block possible compromises in Brussels and at the same time mock the EU's inability to find common agreement. Paradoxically, countries that play a crucial role in defining European destiny as members of the Council often speak about Brussels as an abstract, superior, almost foreign entity, over which they have no influence. Similarly, in the case of Italy, politicians complain, “it's a top-down decision, it's what Europe wants”. Blaming Europe will not contribute to reinvigorating the EU.

Remaining on the national level, the media plays a crucial role to say the least. At least part of the unpopularity of the European Union derives from the fact that too often only bad news concerning Brussels is publicised⁴⁹. In reality, there is no branch of the political arena and no segment of society in which the EU is not interested and involved, but its achievements remain unheralded. This tendency is damaging for the Union, since it only develops a sort of collective emotional barrier that does not see the EU mechanisms based in Brussels as beneficial.

In order to "give Europe to the people", it is vital for citizens to really feel it. For this to happen, the esoteric language, as well as the institutional and explanatory communication that characterises all the press releases of the Union, should be replaced or at least combined with an emotional and experiential component. Brussels certainly needs to be more persuasive, and make "European people" feel the validity of EU initiatives and programmes.

**Economic Discrepancies**

There is no doubt that one of the major causes of the unpopularity of the European Union is the gloomy economic scenario that characterises its societies. Despite signs of economic recovery and the Eurozone achieving greater stability, the levels of unemployment are still alarming, especially among the youth, and public debt appears far from being rehabilitated. The complex architecture of the Financial Fund and the European Central Bank is perceived by the Members of the Union as the last remedy rather than as the first resource to benefit from. The complex procedures, numerous meetings and contentious discussions held in Brussels do not meet the European public’s expectations, which expects quicker and more efficient responses to the economic crises that the Old Continent has experienced.

From an economic point of view, Germany is the most problematic economy for the European Union given the unparalleled competitiveness of German industry, which comes from excess savings and low levels of investment. This extra-competitiveness represents a brake for both the EU Member States’ economic growth as also world economic development⁴¹. Accumulating the massive trade surplus – and 90% of the European surplus is only due to Berlin – means that the more Germany benefits from a surplus in the trade balance, the more it
suppresses internal consumption and slows down other countries’ exports and economies. Berlin appears to have no intention to modify its economic policy, even though it is massively damaging to the other Member States of the EU.

It is easily understandable that the common currency causes divisions among Member States experiencing different economic situations. The main economic problem of the European Union is the Euro, because the introduction of the common currency has been based on three faulty assumptions:

- The Euro’s introduction and exchange rate should have allowed the levelling of Member States’ competitiveness. This did not happen, or it happened for a very short time.

- The Euro mechanisms were established through the Maastricht Treaty in 1992. The Treaty, however, has been breached more than 165 times since the introduction of the common currency.

- A common fiscal and economic policy was supposed to be created in the Euro-zone. The policy, in turn, would have been designed to achieve coordinated results. However, Member States still have different levels of competitiveness and a very different political situation, as demonstrated by Europe’s southern countries whose growth is based on debt financing.

Economic union and monetary union are different concepts, and the common currency is creating problems for the EU. It seems reasonable to take a step back: achieving political union implies solving current problems, which are mainly linked to the deficiencies of the EU’s economic system. The EU cannot become a political union in the short or medium term, but it can work to achieve this goal in the long-term after fixing economic problems. The European Union can potentially establish common objectives, such as an energy union or a common defence and security policy as signalled by the Permanent Structured Cooperation on Security and Defence (PESCO) project.

**PESCO Prospects**

The European Union is developing a “Permanent Structured Cooperation on Security and Defence” (PESCO) policy, aimed at improving member states’ collaboration in the defence field. The initiative is open to all member states which are capable of and willing to cooperate, and they are subjected to the binding nature of the related commitments. PESCO has a “two-layer structure”, with a Council responsible for both the decision-making process (unanimity of participating Member States) and the supervision of implementation. At the lower level, PESCO works through “Projects” managed by Member States that contribute to it.

PESCO provides an opportunity to increase standardisation of equipment across member countries while eliminating wasteful expenditure through economies of scale in R&D. This, in turn, will facilitate the provisioning of necessary material. Enhancing both the intra-European military supply and the coordination among Member States regarding goals and action could increase the EU leverage within NATO. Shared aims and collaboration would lead the EU states to act as a single
actor, allowing the EU to make its voice count in the NATO framework. Countries participating in PESCO projects can take advantage of the related benefits in direct proportion to their effective contribution. Helping create this sort of leveling, PESCO can also help overcome the East-West frictions within the EU. The PESCO project can potentially grow into a strong common European defence policy.

Conclusion

There is little doubt that the European project requires rethinking and creative solutions to its current problems. A rigid "one-size-fits-all" model would only slow it down, especially in light of the fact that the 27 member Countries are integrated into the EU in different ways (all are part of the single market, but only 26 are part of the banking union, only 21 of Schengen, another 21 of NATO, and only 19 of the Euro). Flexibility to "keep the family united" holds the key.

Brussels should try and get closer to European citizens, who have the privilege of many rights and the burden of as many duties. As long as a top-down process continues to be projected, it will not be possible to give the EU greater proximity at the local level. Those who speak on behalf of Europe must stand on the side of citizens and make them understand that their concerns, their insecurities and fears, are at the heart of Brussels’ decision making. What is required today is the realisation of a "European Community" capable of effective collaboration.

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Endnotes

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6 Idem.
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