Think National Interest, Act European

A European "Union state" is inevitable—if Europe's nation states hope to survive

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Cornelius Adebahr | **The process of European integration has long ceased to be a matter of choice. It is an urgent necessity and needs to go far beyond the Lisbon Treaty. In light of the international economic crisis and climate change, the creation of a European "Union state" is the only way forward.**

The financial upheaval being experienced around the world cuts to the very core of European unity: shared prosperity and mutual solidarity based on the rules of the internal market. In a situation where supportive economic and financial measures are declared to be European but remain national in substantive terms, where lip service is paid to solidarity, and where it remains unclear whether the economies of individual EU member states will actually be rescued, it seems that the foundation for a path out of this crisis is indeed a shaky one.

It has become fashionable to criticize Europe's shortcomings. In the July/August 2008 issue, *Internationale Politik* pointed to the "impotence of the powerful" in regard to climate change, dwindling oil reserves, and the impending food crisis. In the December issue, *Internationale Politik* ran a headline proclaiming the beginning of the "era of the states" in this time of global crisis management. The European Union, neither truly powerful nor a genuine state, was referred to only marginally.

Yet instead of going under in the crisis, the European Union is likely to transform itself by becoming more like a state. For over 50 years European integration has proceeded in fits and starts. The European Union was and remains more than a loose amalgamation of nation states but less than a federal European state. The tension characterizing the relationship between member state and Union is constitutive for the European Union, and until now altering the existing equilibrium has been a gradual process. This arrangement is no longer viable. Europe, or more precisely the states of Europe, will have to take a giant leap if they want to survive.

This thesis is based on two observations concerning past and current policy. The kind of integration that has prevailed over the past two decades is now no longer a matter of choice but one of necessity. Specific global challenges such as the economic crisis and climate change have become the driving forces of European integration. However insufficient previous European reactions to these problems may have been, they have nonetheless created the potential for progressive political and economic integration. The threat now being posed at a fundamental, systemic level—with climate change endangering the global habitat and the economic crisis eroding the foundations of globalized capitalism—requires responses that will permanently alter the balance between member states and the Union.

From Integration of Choice to Integration of Necessity

Until the fall of the Berlin Wall and the collapse of the Soviet Union, European integration was a choice. The member states joined ranks voluntarily, without being compelled to do so by external forces. The main threat—nuclear confrontation—was held in check by NATO, to which most of the states in what was then the European Community belonged. European integration was founded on economic opportunity, which was later supplemented by an emerging external political identity and finally by an evolving European citizenry.

The economic crisis and climate change have become the driving forces of European integration.

The three pillars on which the Maastricht Treaty is structured reflect these three fields of integration:

- While economic integration was initially motivated by the need for reconstruction following the war, during the 1970s economic competition with the United States and the rise of Asia became additional motivating factors. The central element of this field of integration was and remains the common market.
- The gradual development of an external political identity was initially based on a perceived need for Europe to demarcate itself from the United States. In the context of the Cold War, it became important to Europeans to be perceived as having a distinct voice within the Western camp. With the beginning of the "new world order," cooperation on foreign policy became institutionalized because the Union now wanted to assume a greater international role. The goal, as expressed in the preamble of the Maastricht Treaty, was "to reinforce European identity and independence in order to promote peace, security, and progress in Europe and the world."
- The freedoms accorded to European citizens and the collaboration between police forces and judiciaries were initially constituted in positive terms, namely with the realization of the last of the Four Freedoms: free movement of people. The Schengen Agreement concluded in 1985 between Germany, France, Belgium, the Netherlands, and Luxembourg laid the foundation for the disappear-

ance of internal European borders. The Maastricht Treaty in turn introduced the concept of EU citizenship, which was automatically accorded to all citizens of an EU member state.

The 1990s dramatically changed the conditions governing European integration. By 2001, integration was no longer seen as a matter of choice, but of necessity. Above all it has been external forces that have motivated the practical steps taken toward deepening the Union. Ironically it was also in 2001, after the rather hit-or-miss implementation of the reforms set out in the Treaty of Nice, that an EU Summit was held in Laeken, Belgium, which aimed to give new impetus to the dynamics of integration and led to the European Convention. Now, years later, the result of this process, the European Constitution, has still not come into force, even in the watered-down form of the Lisbon Treaty. The change in the basic conditions governing integration has not been taken into account by Europeans, and as a result the necessary degree of integration has only taken place beneath the treaty threshold.

The European Union aims to become the most competitive knowledge-based economic area in the world.

The pressure of competition now drives the economic integration enshrined in the first pillar of the Maastricht Treaty. When the Lisbon strategy was launched in 2000, the European Union set itself the goal of becoming the most competitive knowledge-based economic area in the world—on the one hand to win the race declared with the United States and rising powers such as China, India, Brazil, and Russia, and on the other to overcome its economic weaknesses stemming from a lack of resources and demographic decline.

In the area associated with the second pillar, acute crisis management has become the major driving force of integration. On the one hand the European Union is facing genuine threats, as defined in the 2003 European Security Strategy, such as international terrorism, the spread of weapons of mass destruction, and failed states. On the other hand there is pressure on the European Union to engage more intensively with regional conflicts in areas around its frontiers—from Central Africa to the Middle East to Central Asia.

Finally, it is the protection of citizens that currently dominates the third pillar. From increased collaboration between police forces and judiciaries as a means of countering the terrorist threat to the provision of consular support for EU citizens in non-EU countries—all the measures being taken in this area are directed at security. Rather than an increase in freedom, it is the issue of increased common security that is motivating further integration, even at the cost of freedoms for EU citizens.

The shift from chosen to necessary integration can be seen between the summits of Maastricht (1991) and Laeken (2001). While the distance between these two towns is only 116 kilometers, they are separated in political and historical terms by a decade of transition from a bipolar confrontation between blocs to a multipolar world (dis)order. However, the degree of integration that has characterized the European Union until now, which is based on an oscillation between state and Union levels, is not sufficient for dealing with global challenges. Despite all the gloomy statements about Europe drifting apart, the answers given so far by Europeans indicate a potential for precisely this kind of increased consolidation.

Of course, member states remain free to accept or reject steps toward greater political integration. However, what is interesting is the fact that, given the need for global solutions to the prevailing challenges, increased integration is now in the vital interest of all member states (and not merely a preference of some). In this respect, the next steps toward a more strongly integrated state-like Union will not be based on federalist wishful thinking but on member states' interest in their own survival. The resulting "Union state" will nonetheless clearly differ from the kind of federal state we are familiar with at a national level.

The Recession Demands a European "Economic Government"

When it comes to dealing with the current economic and financial crisis, it is striking that although Europe has been a global economic power for more than half a century, the European Union has no overarching authority at the level of economic and employment policy. This responsibility has been retained by the member states, which merely coordinate their policies within a commonly agreed framework. The Union nonetheless has exclusive responsibility for important areas affected by the crisis, such as trade and competition policy, and (for those member states in the euro zone) currency policy. With regard to the internal market it shares responsibility with the member states.

This lack of a coherent division of authority is clearly illustrated by the policy defining the framework for the European Union's reaction to the economic crisis. The Lisbon strategy for the promotion of growth and employment was initiated by the heads of state and government in 2000 and essentially left coordination to the member states—which in practice meant few obligations. It was only in 2005 that a revised version of the strategy established a level of community competence alongside that of the member states, i.e. the Community Lisbon Program. In the meantime, the European Commission has become the driving force in this policy area, and is now demanding that member states meet their reform commitments, having realized that its own commitment to "jobs and growth" is an effective means of demonstrating its concern for EU citizens.

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The European economic stimulus package of autumn 2008 makes clear that the level of integration will also increase in this area. The lion's share of the 200 billion euro package proposed for the coming two years will be provided and spent directly by the member states; only 30 billion will come from the overall budget of the European Union and the European Investment Bank. However, what seems at first glance to indicate a lack of cooperation in crisis management actually involves a significant degree of integration. The success of the package depends crucially on the certainty of all countries that the promised funds will actually flow into economic development. Such tangible action can only be ensured by the supranational Commission, since there would otherwise be a strong incentive for individual member states to limit their own contributions while profiting from the stimulation of the economy in neighboring countries. Furthermore, the European Commission is responsible for ensuring that prescriptions regarding competition and state aid are adhered to in order to prevent protectionism. Incidentally, at the beginning of April 2009, the G20 Summit in London accorded an analogous role at the global level to the International Monetary Fund.

The second element of the European reaction to the crisis, the Stability and Growth Pact on the conduct of fiscal policy, also promises an increase in the level of integration. Even in normal times, this pact places obligations on member states with regard to their national budgets. In times of crisis, it provides a framework for maintaining the trust of the markets in a medium-term consolidation of member state budgets. For instance, the European Union has recently decided on measures that will further reduce national financial sovereignty in the interest of collective crisis management. A European System of Financial Supervision has been designed to integrate the respective national bodies responsible for the supervision of the banking, insurance, and securities sectors. In addition, a European Systemic Risk Council led by the European Central Bank will analyze the stability of the banking system from a macroeconomic perspective. Both bodies will be able to set binding parameters for the member states, including those outside the euro zone.

It is unthinkable that in times of emergency any EU country will be abandoned.

Finally, the closer integration of the European Union is also evident when it comes to the issue of rescuing insolvent member states. Even if the 27 heads of state and government shied away from making explicit guarantees at the last summit—not least due to German reservations—it is unthinkable that in a case of emergency any EU country will be abandoned (and all member states are aware of this). Whether such a collapse is averted by issuing collectively underwritten Eurobonds and guarantees or by an early introduction of the euro is insignificant in the longer term. The price of rescue would be stronger collective control over this country's economic and budgetary policy. The European "economic government" that the German government has opposed until now could thus serve German interests by curbing possibly irresponsible economic policies in some member states.

Climate Change and European Security

For a long time, policymakers regarded an intact environment merely as one factor contributing to the general welfare of the population. Still, even this awareness did not suffice for the inclusion of environmental policy among the Community competences. Instead, the economy (or more precisely, the internal market) served as a vehicle to prompt Community action, i.e. in order to avoid a distortion of competition due to different environmental standards in member states. Today the Council of Ministers and the European Parliament jointly decide on legal measures governing environmental policy. Moreover, international agreements such as the Kyoto Protocol also require acceptance by the Council and ratification by the European Parliament.

It is only in recent years that a new perspective on environmental and security policy has emerged. In a report to the European Council in spring 2008, EU foreign policy chief Javier Solana and the European Commission sketched out the impact climate change could have on European and international security. The revised European Security Strategy of December 2008 includes climate change for the first time as a "threat multiplier" in its list of global challenges. Issues such as new conflicts over resources (above all over access to water), greater migration as a result of environmental changes (both within the affected countries and from these countries into other regions), and an increased shortage of food have thus led to climate change being seen as an important link between internal and external security.

In order to counter the threat posed by climate change, the European Union has agreed to seek to limit the warming of the planet to two degrees Celsius above the pre-industrial level. The key policy instrument in this context is the energy and climate package agreed to by the Union in 2007. The package codifies its specific goals in the so-called "20-20-20 formula." By 2020 the member states want to reduce their emissions of greenhouse gases by 20 percent, increase the proportion of renewable energy sources to 20 percent, and enhance energy efficiency by 20 percent. The core of the package is the EU Emission Trading Scheme, which involves the exchange of a consistently reduced number of pollution permits, thus providing incentives based on market mechanisms for companies to reduce their carbon dioxide output.

The revised European Security Strategy of 2008 includes climate change for the first time as a "threat multiplier."

This trade in emission rights makes further integration necessary in the medium term. The allotment of permits and the need to ensure compliance with pollution allowances require an effective form of supranational control through the European Commission. Other measures already planned include the extension of emissions trading to sectors not yet included in the scheme such as aviation and road traffic, and the centralized allocation of permits by the Commission as opposed to allocation on a national basis. If the European Union wants to combat climate change effectively, its member states must assign authority over this process to the Community.

European Union State in the Making

If, as we have been hearing from numerous soapboxes for some time now, no single country alone can master the global challenges we are now facing, then this certainly applies to the small states and medium-sized powers of Europe. Without falling prey to pessimism, it must be said that several of these challenges involve systemic threats, as in the cases of the endangerment of the global habitat and the threat to the market-economic foundation of our prosperity. The arguments on which the discourse of integration is based have correspondingly shifted. It is no longer the possibility and desirability of integration based on its inherent advantages that are in the foreground, but rather the necessity of defending ourselves against increasing dangers. At the same time, the two policy examples discussed here make it clear that a purely intergovernmental coordination of national policies is insufficient when it comes to concrete problem-solving. Resuscitating the global economy by means of stimulus programs and combating climate change through pollution permit trading both require supranational supervision of the actions of member states.

The lack of further contractual integration since 2001 thus represents a paradox. Whereas voluntary integration resulted in a striking degree of political consolidation, the governments of the 27 member states, despite being compelled by external necessity, have yet to implement the institutional reforms agreed upon so far. Admittedly, this implementation has not been thwarted by individual governments but by the populations of three member states. Here again there is a need for action in the face of crisis. Not only must the member states provide the Union with the capacity to act, they must also explain to their citizens why further integration is vital to the survival of all European nations.

In the long term, renationalization—or even maintenance of the current equilibrium between national and Union spheres of authority—in vital policy areas such as the economy and the environment will ultimately result in the decline of the nation state. In other words, European nation states will only survive if they are absorbed into a newly conceived European Union state. To adapt a slogan from the environmental movement, one could say: “Think global, act European.” Yet, it would be just as valid to say: “Think national interest, act European.”