

Only 'solidarity' can save Europe's economy

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Member states must start thinking about the future of the EU or risk international irrelevance, writes Elvire Fabry

After such momentous events as the eurozone crisis, the Fukushima nuclear catastrophe and military intervention in Libya, the arrival of "contaminated cucumbers" signals a return to everyday politics in Europe. The fact that the sanitary crisis spread fear across the continent, even among the least threatened nations, makes one wonder: are the petty diatribes currently bouncing between political leaders the product of pent-up resentment? Probably so – these cucumber accusations are most likely an indirect response to both imposed solidarity and never-ending economic angst.

What is certain is that if member states do not start thinking about the European Union's future again, the project as a whole is bound to falter - distracted by a morass of cultural clichés and rising prejudice. The eurozone crisis has not yet ended and avoiding state bankruptcies represents a far more pressing subject for all. Rather than venting frustrations, political leaders should continue focusing on preventing new economic crises.

A recent report by 16 European think-tanks – concerning the 18-month agenda of the upcoming Polish, Danish and Cypriot Trio Presidency, which starts on July 2011, and called "Think Global Act European" – underlines the importance of this financial topic. The report puts a special emphasis on the risk of a new banking crisis. One way to avoid such new crises would be to upgrade future stress tests, notably by making them more rigorous and more transparent. Only such tests will create a foundation strong enough to sustain the necessary restructuring and recapitalisation of many European banks

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But beyond avoiding new crises, political leaders need to look further afield. Without stronger economic growth, the EU will seem paltry in comparison to more buoyant economic zones - such as those of emerging markets where companies are finding it far easier to move beyond the 2008/2009 financial crisis. In fact, for some member states – markedly those situated in the eurozone's periphery – without EU help, stagnation or even recessions are far more likely than growth.

Given recent cuts in national budgets - for many states, only union-level action retains the leverage sufficient to stimulate growth. In addition to structural reform, many states will also need EU-level investment in numerous sectors such as research and development, infrastructure and

energy. Such investment will require strong state-level support – especially, concerning innovative financial instruments like European bonds – also, mentioned by the European Commission in its 2011 budget review.

Besides such bonds, for Europe to remain competitive on the international scene – notably via a transition to a low-carbon economy– the EU will require the financial means to meet its ends. The upcoming 2014-2020 European budget negotiations, which will debut under the Polish Presidency, will be crucial in this regard. It is during these negotiations that we will see if officials are mature enough to think beyond traditional national frameworks.

Although this budget, which only represents roughly 1 per cent of the Europe's total gross national product, is no panacea for the EU's economy - it can, nevertheless, still play a fundamental role in kick-starting growth in several sectors and regions. The budget should not be addressed in a strictly financial manner. Rather, negotiations should focus on obtaining new economies of scale and on increasing Europe-wide efficiency.

These two objectives could be realised by coordinating national and community-level expenditures - to avoid overlap in areas such as defence, foreign affairs and research - and by improving budgetary responses to fluctuating economic needs in specific regions and sectors. Another way to reinforce Europe's potential to create economic growth would be to give the EU its own resources - via an energy or carbon tax, for example. This "autonomous" revenue would increase the budget by diversifying its funding.

Finally, new initiatives – such as the European Semester, the Euro-Plus Pact and the reform of the Stability and Growth Pact – will all require sustained citizen-level support across all member states. What needs to be kept in mind is that solidarity amongst Europeans is beneficial to everyone's long-term economic and political interests. Whether it is in relation to the eurozone crisis, violence in Libya, nuclear quandaries or E. coli bacteria – now, more than ever, it is crucial that we all act as Europeans.

Elvire Fabry is a senior research fellow at Notre Europe, which was one of 16 think-tanks to participate in the Think Global Act European project