

Quo Vadis Europa?

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I.

Arguably EU-Europe is in the most severe crisis since its foundation almost sixty years ago. Here is the list of problems which agonize the EU and its Member States and threaten its unity:

- the “Euro crisis” – aptly named that way because of a dual reference: a crisis caused by the ill-considered introduction of a common currency in an area that was not adequately prepared for it in economic and institutional terms and a crisis affecting, as a consequence of these deficiencies, the very viability of the currency area itself. Another aspect of the “Euro crisis” is that the currency has driven a wedge into the EU which is now divided by its common currency and the winners and losers it has created;
- the economic crisis with deflationary tendencies and economic stagnation prevailing in many EU Member States, causing high rates of unemployment, in particular amongst young people, and also causing, together with extreme monetary policies adopted by the ECB and austerity-obsessed fiscal policies, a forceful onslaught on European welfare states and the by now largely obsolete “European Social Model”;
- “mass immigration” into the EU and failure of the latter to cope with the rising tide of refugees and asylum-seekers in ways which minimally conform with Europe’s declared humanitarian standards; in addition, even the Treaty-based freedom of mobility within the EU has come to be challenged by several Member States;
- within many Member States, we see an escalating erosion of party systems (which is at best marginally compensated for by the halting emergence of a transnational European party system). While center-left and center-right parties are losing electoral support (as well as the capacity to defend lost ground in terms of their hegemonic capacities as they have largely become indistinguishable administrators of political and economic realities to which, they claim, “there is no alternative”), all countries on the “winner” side of the Euro-divide have seen the rise of rightist populist parties, making, together with the rise of leftist protest parties in some of the “loser” countries, for an unprecedented political destabilization of Member States and, by implication, the EU polity as a whole;
- the Ukraine conflict and the confrontation with Russia which is critical not just because of its threatening military implications but also because it epitomizes the failure of the EU’s Eastern Neighborhood Policy (ENP) as well as the ambiguities involved in the accession of Serbia and the other aspiring Member States of the Western Balkans;
- the EU’s helplessness and virtual strategic irrelevance in the face of the armed conflicts in the adjacent MENA world, including the precarious geopolitical situation

of Israel and its failure to settle the conflict with the Palestinians in the Occupied Territories.

Due to our limited time I will speak only about the Euro crisis and the immigration crisis from the point of view of their impact on the viability of the EU including the special role of Germany and, of course, of Greece.

II.

Concerning the Euro crisis it is now more or less common knowledge that the introduction of the Euro as the common currency of the EU Member States in 1999/2002 was a great mistake from an economic point of view. As an expert commission of the Think Tank “Notre Europe” stated in a report of 2012:

“There is no other historical example of a monetary union of this kind, bringing together economically highly diverse but politically sovereign countries under the common umbrella of a shared currency administered by a single and independent central bank. The institutional asymmetries of this framework were widely discussed, even prior to the start of the ongoing crisis. And since its very inception more than once the question was raised whether a “currency without a nation-state” can survive.”

What was missing was a coordination of the currency, the fiscal and the economic policies of the Member States of the Euro zone which would have to bridge the huge discrepancies among them in terms of per capita income, productivity, growth, employment and other indicators, let alone the varieties of capitalism across Europe. The introduction of the EURO was a political rather than an economic project – it was the condition for President Mitterrand’s assent to the German unification in the two-plus-four negotiations of 1990; he wanted to get rid of the dominant position of the German Bundesbank. Hence the responsibility for the negative consequences of the common currency for economically weaker Member States lies with EU and the driving forces behind the EMU, France and Germany.

However, none of them assumed any obligation. On the contrary, especially Germany tried to blame Greece for its debt crisis – without justification. To quote the afore-mentioned expert group:

“In our view, there is a tendency to over-simplify the origins of the crisis. Explanations focusing solely on wage-setting mistakes or fiscal irresponsibility, on the failure in banking practices or banking regulation, on the failures in policy coordination or the application of sanctions, will all only partially be right. For us, the root cause of the current crisis lies in the contradiction between a single, supra-national currency and the continuation of nation-state-based economic policies. This contradiction has given rise to all the other “causes” of this crisis.”

There is no time to go into the details of the causes of the Greek debt crisis, and there is no need either. Suffice it to remind us that the bursting of the US mortgage bubble, followed by the breakdown of Lehman Brothers in September 2008 caused serious problems of big European banks which were sitting on huge malinvestments. Many governments put rescue packages together which ultimately entailed a risk transfer from banks to the public sector. The Greek government’s policy of state recapitalization of private banks accompanied by, among other things, the payment of extremely high rates of interests to creditors and an enormous amount of capital flight and tax evasion pushed the country on the verge of insolvency. What is crucial here is the EU’s and also the German government’s attitude towards the drastic decline of Greece’s economy and its dramatic social consequences.

What has happened since 2010 is an almost exact replication of a situation which Greece had to endure at the end of the 19th century and which reminds us of an international world in which states could be ruled by their creditors. As Stephen Krasner wrote in an article on “shared sovereignty” – an obvious euphemism – after the Greco-Turkish war of 1897 in Greece “an international control commission, whose members were appointed by the governments of Austria-Hungary, Italy, Germany, France, Russia, and Britain, was appointed after a disastrous war with Turkey which left the country bankrupt and occupied by Turkish forces. The commission was given control over revenues that were necessary to fund a new loan for Greece, part of which was used to pay the war indemnity demanded by Turkey as a condition for removing its troops. The commission controlled certain revenues and also had the power to limit new Greek debts and to control the money supply.”¹

One would not believe that contemporary international law and its essential principle of the equality of states and the inviolability of the states’ sovereignty would permit such a regime today. Much less would one consider it possible that this could occur in the European Union, a unique community of sovereign states which refers to the “humanist inheritance of Europe” and commits itself to the respect of “inalienable rights of the human person, freedom, democracy, equality and the rule of law” (in the preamble of the Treaty on European Union [TEU]). Moreover, in article 4 of the TEU the Union pledges to “respect the equality of Member States before the Treaties as well as their national identities, inherent in their fundamental structures, political and constitutional, inclusive of regional and local self-government.” Furthermore, this article explicitly invokes “the principle of sincere cooperation” which requires that “the Union and the Member States shall, in full mutual respect, assist each other in carrying out tasks which flow from the Treaties”.

Instead, a regime was established which resembles political adhesion contracts of the 19th century. The so-called Troika, representatives of the main creditors – the ECB, the IMF and the Eurogroup – acted as the supervisor of the fiscal policies of Greece and thus relegated this country, as the German philosopher and public intellectual Jürgen Habermas rightly termed it, de facto from a member state “to the status of a protectorate [that] openly contradicts the democratic principles of the European Union”.² What is more, the EU even ignored the democratic fact that on 25 January 2015 a newly elected political majority had been voted to power with the clear and unequivocal mandate to change the politics of austerity imposed by the creditors.

The new government entered into negotiations with the finance ministers of the Euro zone with the objective of modifying the “reform program” which the previous government had been forced to adopt by Greece’s international lenders (ECB, IMF, EU Commission [representing the lending states of the Euro zone]). While the economic effects of that program of “austerity” and “structural reforms” were to a large extent plainly counterproductive by increasing rather than reducing the debt/GDP ratio, the social suffering it produced has been positively disastrous as the “reforms” resulted in unprecedented levels of unemployment as well as the “internal devaluation” of wages, pensions, and public services. Yet the Euro zone finance ministers insisted upon the legal

¹ Krasner, Stephen D. 2004. “The Hole in the Whole: Sovereignty, Shared Sovereignty, and International Law.” *Michigan Journal of International Law* no. 25 (4):1075-1101 [1093].

² cf. <http://www.theguardian.com/commentisfree/2015/jul/16/jurgen-habermas-eu-greece-debt-deal>

bindingness of the obligations which Greece had incurred. In the name of *pacta sunt servanda* and under the self-righteous (if evidently mistaken) presumption of supranational paternalism (“we know better what is good for you than you do yourself”), Greeks were administered a poisonous medicine to the further taking of which the majority of the electorate expressed its clear refusal.

Yet the democratic change of government in Greece was in no way respected and appreciated as such within the EU: It did not give rise to an EU-wide reconsideration of the appropriateness and viability of the conditions which have produced the misery of large parts of the Greek population. To the contrary, the unmistakably expressed will of the people was dismissed as unworthy of respect, giving rise to the bitter comment of one of the Greek ministers “If we cannot change economic policy through elections, then elections are irrelevant”³. While in the realm of international politics this democratic argument is normally overruled by the cold logic of creditor-debtor relations, the democratic nature of an electoral outcome should provide a compelling argument in the framework of the EU which proclaims “democracy” as one of its core values. What if not the EU’s commitment to democracy is an essential element of its political identity?

Of course it is true that the Vienna Convention on the Law of Treaties stipulates that a party may not invoke the provisions of its internal law as justification for its failure to perform a treaty (Article 27). But this article cannot overrule obligations of mutual respect, solidarity and assistance. Do the Union Treaties permit the occurrence of humanitarian crises as a consequence of the Union’s policies? If it did, the question arises of whether the EU has still a political and moral *'raison d'être'*.

III.

There is a hidden narrative about Greece and perhaps about the mediterranean Member States altogether which teaches that these countries, and especially Greece, are unable and unwilling to meet the standards of strict financial and fiscal discipline, of economic rationality as defined by the Anglo-American or the Rhinish capitalisms, and to develop a concept of statehood and state bureaucracy which is not primarily the prey of particularistic groups of the society but the neutral representative of the common interests of the people. Hence people in the Northern parts of the EU tend to foster an attitude of paternalism vis-à-vis the mediterranean political culture. While this attitude must be plainly rejected because the EU is a Union of diverse peoples with different economic, political and cultural traditions it is also true that some basics should be fulfilled by each and every single Member State.

In fact, Greece is special, and fortunately so. Maybe in some respects it is perhaps a bit too special. For instance, there is a decades-old system of clientelism, nepotism, corruption, excessive defense spending and tax evasion which eventually has driven the country to the verge of state bankruptcy. Let me give you two examples: military spending and intergenerational justice. It strikes many people outside Greece as strange that among the 27 member states of NATO – among them economic heavyweights such as the US, Canada, the UK, France, Italy and Germany – only four met the alliance’s target of 2 percent of the GNP for defense spending in 2014, namely the US with 3.8%, Greece and the UK with 2.2% each, and Estonia with 2.0%. The other Mediterranean countries – Italy, France, Spain and

³ International New York Times, Febr. 28-March1, 2015, p. 1.

Portugal – spent 1.1%, 1.8%, 0.9%, and 1.3% respectively. Germany’s corresponding figure is 1.2% that of Turkey 1.7%. This is only a snapshot of 2014, but the figures and the relations among the NATO Members of the past twenty years are very similar. In other words, in terms of GNP share Greece spent almost twice the average amount of the total of EU Members who are also members of NATO.

How is this money spent? The statistical data distinguish between military expenditures for four categories:

- personnel (including military and civilian personnel expenditures and pensions),
- equipment (including major equipment expenditures and R&D devoted to major equipment),
- infrastructure (including NATO common infrastructure and national military constructions), and
- other expenditures (including operations and maintenance expenditures, other R&D expenditures and expenditures not allocated among above-mentioned categories)

It is of course not possible to enter into a thorough comparative analysis of the military budgets of the NATO members which are simultaneously Member States of the EU. Suffice it to draw our attention to the noticeable fact that in 2014 the lion’s share of Greece’s military expenditures was spent on the personnel, namely 77.2%, on equipment 8.2%, on infrastructure 1.1%, and for other expenditures 13.6. On average the NATO states spent 61% of the military budget on personnel, 11.3% on equipment, and 2.85% on infrastructure, and 23.7% on other expenditures.⁴ These figures show that almost four fifth of Greece’s excessively high military budget is consumed by the active and retired military personnel. Can one draw from that the suspicion that its armed forces are primarily an institution of social provision for a privileged segment of the population?

The second case of the “very special” character of Greece is the distribution of the nation’s income among the generations. A recent comparative survey on intergenerational justice stated:

“Several OECD states show considerable imbalances in the distribution of social spending for young and older generations. Countries such as Poland, Greece, Italy, Slovakia and Japan allocate a disproportionately large share of social expenditures for the elderly (i.e., citizens 65 years of age and older) relative to that allocated for young people. Remarkably, however, these spending ratios cannot always be explained by a country’s demographic structure. In demographically top-heavy Greece, for example, the state spends six times as much on the elderly as it does on its younger citizens, whereas Sweden – which has a similar demographic structure – spends only 3.4 times as much on the elderly....”⁵

If we add to these examples the privileges of the Greek ship owners the impression comes up that Greece is based on the well-being of shipowners, military personnel and pensioners. This is, of course, a grotesque exaggeration, and I apologize if I should hurt somebody’s national feelings – but in an institutional frame of interdependence and mutual assistance

⁴ All figures from NATO Public Diplomacy Press Release of 22 June 2015 “Financial and Economic Data Relating to NATO Defence”

http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2015_06/20150622_PR_CP_2015_093-v2.pdf

⁵ Schraad-Tischler, Daniel, and Najim Azahaf. 2013. *Intergenerational Justice in Aging Societies: A Cross-national Comparison, Intergenerational Justice in Aging Societies*. Gütersloh: Bertelsmann Stiftung, p. 8.

national peculiarities are no longer only national since they affect also the well-being of the aligned countries. So I believe that the Greeks have good reason to think about some profound reforms of their beautiful country.

IV.

Nothing of what I said so far shall be misunderstood as an approval of how the institutions of the EU treated and still treats Greece in its struggle against its fiscal and debt crisis. This is unacceptable both with respect to the procedural and the substantive dimension.

In mid-2015, the country had arrived at a truly dismal economic situation, unparalleled in any advanced country during peace time: GDP was down 25 percent since 2010, unemployment averaged at 26 per cent (with a large part of the unemployed receiving no social insurance benefits whatsoever), wages went down by 38 per cent and pensions by 45 per cent. 32 per cent of the population live below the poverty line and the critical ratio of sovereign debt to GDP was approaching 180 per cent. The solvency of Greek banks is threatened by huge amounts of non-performing loans extended to both the public and the private sector.⁶ Even after the referendum of 5 July in which more than 60 per cent of the voters had rejected the conditions which the creditors had submitted to the Tsipras government the EU did not change its attitude towards the Greek government. According to experts the new package which Tsipras had to accept in order to avoid a "Grexit" which would have amounted to a genuine "Graccident" contained ever harsher conditions than those of the previous "Memorandum of Understanding" of the "Institutions". Hardly anybody believes that after the intended implementation of the "reform program" in three years Greece will be in any better economic, fiscal and social situation than today. As Christine Lagarde, the IMF's Managing Director, expressed in a statement of 14 July 2015, "Greece's debt has become unsustainable ... Greece cannot restore debt sustainability solely through actions of its own. ... Greece's debt ... is expected to peak at close to 200 per cent of GDP in the next two years. ... Greece's debt can now only be made sustainable through debt relief measures that go far beyond what Europe has been willing to consider so far."⁷ So, where is Europe going if it ignores basic needs of a country and their expression through democratic means?

V.

This is, of course, a rhetoric question. A real question is: How can we conceive of the role of Germany in the present and future state of the EU? Obviously the country is no longer willing and able to be the paymaster of the Union. After the reunification many, not all Germans are not anymore ready to pay tribute for the unprecedented crimes and sufferings caused by the Nazi regime and to satisfy themselves with a modest part in the political concert of the Union. They want what they call 'normalization', partly spurred on by 'realist' political scientists who urge the Germans to pursue a politics of national interest rather than

⁶ "According to some estimates, there are around 320.000 families in Greece that are not paying down their mortgages and obviously these bad loans are dead weights for the banking system." Marcello Minenna, "New Countdown For Greece: A Bank Bail-in Is Looming" <http://www.socialeurope.eu/2015/11/new-countdown-for-greece-a-bank-bail-in-is-looming/>

⁷ IMF statement of July 14, 2015, available at <https://goo.gl/hMdL4p>

of moral excellence which frequently enough turns out to be hypocritical anyway. However this may be, given Germany's geographical situation in the heart of Europe, being the most populous state and given its economic potential it is almost inevitable that the country has become – together with France – the leading nation in Europe. Leadership in a community of free and independent states implies a higher degree of responsibility for the stability and well-being of that community. Based upon a special assortment of power resources – economic, political, cultural, moral – it can claim legitimacy only if it draws voluntary compliance. In a way the status of leadership is a kind of moral status. Does Germany have such a moral status in the EU? Can we expect any country to exercise leadership based upon what I call a moral status? Don't we have to suspect that in an inherently heterogeneous union like the EU where centrifugal tendencies are likely to occur from time to time it is not voluntary compliance, but simply power based upon superior economic and political resources that will in fact enforce the level of discipline which is necessary for the cohesion of the union?

There is now a debate underway which revolves around the concept of hegemony. For instance, the German economic sociologist Wolfgang Streeck claimed that when it became clear in 2008 that countries with high debt had to pay much higher interest, raising the possibility of default of several EMU member states, Germany, unwillingly and unintendedly, became the new European hegemon.⁸ The German political scientist Herfried Münkler analyzed Germany's new role and its political mission in Europe which has become manifest since the occurrence of the Euro crisis in 2008 from a politico-strategic point of view.⁹ The English translation of the book reads: "Power in the Centre. Germany's new mission in Europe". He claims that Germany's geopolitical position in the centre of Europe and its economic resources assign the country the role of a European hegemon, if a special one. Hegemons are never loved and often rejected, and Europe is no exception. Münkler observes a dilemma of the EU. "Europe needs leadership, but it does not want leadership; the bigger Europe has become, the more it is in need of leadership, and at the same time the resistance against such leadership is increasing".¹⁰ According to Münkler the way out of this dilemma is the "vulnerable hegemon". Germany's hegemony is largely accepted because it is Stained by its history of the Nazi regime between 1933 and 1945, a heavy burden on its political capacities and moral capital. Germany is the "vulnerable hegemon", Münkler contends, which almost by necessity and in its own interest will care about the common interest of the Union, whereas the smaller and the more marginal states enjoy the freedom to pursue their national interests. It is, as it were, the freedom of unruly kids who ultimately are protected, nourished and cared by their parents. In one word, this is the concept of a benevolent hegemon which cannot fall prey to the temptations of power and superiority.

This seems to be an almost ideal solution of Europe's problem – but in fact it is not. I leave aside here the suspicion that Germany's role in the Euro crisis did hardly meet the standards which characterizes this model of a benevolent, because vulnerable hegemon – it is obvious that the reality test failed. Likewise I leave apart the argument that we cannot be sure that already the next generation of Germans will be willing to accept the moral burden of its

⁸ Streeck, Wolfgang. "German Hegemony: Unintended and Unwanted." --

<http://wolfgangstreeck.com/2015/05/15/german-hegemony-unintended-and-unwanted/>

⁹ Münkler, H. 2015. *Macht in der Mitte. Die neuen Aufgaben Deutschlands in Europa*: Hamburg: Edition Körber-Stiftung.

¹⁰ Münkler, *ibid.*, p. 177 – my translation

history – a few days ago, on 9 November, the day when in 1938 the Nazis started a cruel pogrom against the German Jews, the speaker of a newly emerging and growing populist movement declared “the end of the German guilt complex with respect to twelve years Nazi rule officially terminated”¹¹ – apart from this question the EU as a community of democratic states would not survive under a paternalist manner of governance. After all, the Treaties embody a supranational constitution in which the rights and obligations are distributed according to principles of justice, solidarity and mutual assistance. Even if we accept the idea for the EU that superior power resources entail enhanced responsibility – and I happen to do – we must never neglect that this responsibility must be carried within the constitutional framework of the EU. There are no prerogatives and extra-constitutional powers for a leading nation. In the existing crisis of the EU it would be better to think about innovations of the EU constitution rather than hoping for a benevolent hegemon. Such an innovation would have to put more emphasis on the diversity of the Member States as an element of integration rather than on the homogeneity of the common market and the requirements of economic and fiscal policies. Why should one not establish a practice according to which a Member state may voice its concern for essentials of its people’s living conditions and open the path for public discussions and negotiations about the chosen path of integration? Next to the Greek case the outcome of the national election in the UK of May 2015 and the prospect of a referendum about its exit from the EU in 2017 provide an excellent opportunity for the EU to rediscover its spirit of constitutional innovation.

¹¹ Cf. FAZ of 11 November 2015, p. 4.