

The European Union: Challenges and Perspectives

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Abstract

We can say that the European Union can be considered, as a whole, a regionally integrated institution in which the relations between states can be considered to a large extent an example of globalization. The attitude manifested in the framework of the World Trade Organization and in the process of bilateral cooperation once again demonstrates the European Union's attachment to the values imposed by the phenomenon of globalization. All these lead to an increase in the dependency and implicitly to the vulnerability both among the EU states and in the relations they develop with countries outside the European Union. At the same time, the complex mechanism of functioning developed at the level of the European Union, the exaggerated claims of some countries like Hungary, the reckless economic behavior of some countries like Greece determine the amplification of the effects in the event of a crisis.

If to all these we add the protectionist measures that the new president of the United States wishes to implement, as well as some deterioration in the European Union credibility generated by Brexit, the bureaucratic aspects that characterize the European institutions, etc., we can outline the context of the European Union, which requires a series of measures to ensure the progress of the European Union as a whole and, in particular, the effective integration of each Community country.

Key words: crisis, trust, solidarity, economic growth, Brexit

J.E.L. classification: F15, F69

1. Introduction

The end of the Second World War meant for Europe, in the period that followed, a lot of poverty, destroyed economy, high inflation, etc. In this context, for humanitarian reasons and for strategic reasons as well, the United States has provided humanitarian and financial aid to Western Europe while also trying to promote the idea of a federation of European states following the American model. The American experience of developing free among its own countries has led to prosperity, and that is why it has been extended to Europe. The idea was embraced by Western European states, even though the UK has shown some reluctance stemming from the desire to preserve the colonial empire and the privileged relationship with the United States of America.

Both the founding countries of the European Union and the United States of America were determined to initiate the European Project also out of the fear of communism spreading including through free elections. The initiative proved to be a success, as demonstrated by the economic development, prosperity and the manifestation of democracy that followed.

Europe in recent years has been characterized by strong crises that have affected the European Project conceived and put into practice after the end of the Second World War. At present, the agendas of the Community countries are somewhat different, as a result of the loss of public confidence in the common European project.

2. The European Union in the context of the global financial crisis

Consolidation of the globalization process over the last 30-40 years has been characterized by the liberalization of goods and capital movements and to a somewhat limited extent of labor force. By increasing interdependency among national economies, countries have become more vulnerable to crises that have erupted in different parts of the world. This has resulted in many phenomena of crisis contagion.

The global financial crisis which broke out in the United States, has severely affected the European Union and the entire world, and it has been driven, amongst other things, by the strong rise in housing prices, as more and more citizens have had access to credit loans.

There are a number of experiences before the 2000's when the price of certain products grew unnaturally. Obviously, the consequence was the collapse of the price of those products and the impoverishment of the majority of those involved in transactions. Something similar happened with the housing price that collapsed in 2008 and 2009. Unfortunately, the decision makers did not learn anything from the previous similar situations. The policy that followed in response to the crisis was not a unitary one, with states imposing their influence in concordance with their level of economic development.

The most influential Community country has been Germany for years as a result of the economic performance it has achieved. At the same time, Germany is strongly dependent on the common market, with the German economy being massively export-oriented. In 2015, the share of exports of goods and services in Germany's gross domestic product was 46.3%. Out of Germany's total exports more than a half is heading to the EU countries, which logically determines this country's interest in its development within the European Union. The austerity policy promoted by Germany and proposed to be extended to the European Union was strongly condemned by countries with huge external debt such as Greece, Spain or Portugal. After the onset of the crisis, the unemployment rate in the European Union has increased, among young people in certain EU countries this indicator exceeding 50% in certain periods. Missing any opportunity, some of the unemployed have become criminals or even worse, terrorists.

The viability of the anti-crisis measures adopted by many EU countries, which generally consisted in increasing government spending to keep unemployment at acceptable levels, is questioned. The difficult economic growth registered in the period since the crisis began can prove this.

One of the measures most commonly adopted in the EU countries was to increase budget allocations to boost investment in general and infrastructure investments in particular. In order to maintain an acceptable level of living standards for their own citizens, governments have acted in the direction of making investments to maintain or increase the number of jobs. There was a strong increase in budget deficits in the early years of the crisis. New jobs have been created mainly in the budgetary sector, but across the European Union the unemployment rate has increased significantly, with some countries reaching worrying proportions (Spain, Italy, Greece, etc.). The increase in the budget deficits resulted in an increase in the level of public indebtedness across the European Union, by 20 percentage in 2009 compared to 2008 (Pană, 2013, p.50). Some countries, including Romania, have reached the "performance" to double their public debt at the beginning of the crisis.

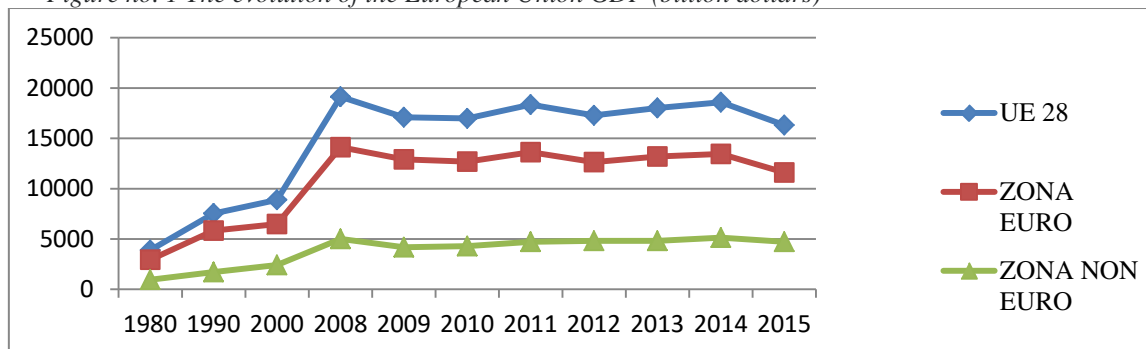
Turning to austerity measures as Germany's initiative, by putting a share of less than 3% of the budget deficit in the gross domestic product is also questionable. It should be stressed that austerity is actually an effect of a crisis and not a solution to solve it. The austerity measures that have mainly affected the level of in-house staff revenue have led to a reduction in consumption with negative consequences on the activity of private firms.

As austerity was chosen, this choice should have been implemented from the very beginning and not after major budget deficits with direct negative consequences on macroeconomic balances.

We can argue that the European Project from the very beginning has proved to be successful, making a major contribution to rebuilding the economies of the Western countries destroyed during the Second World War. Very good results in terms of economic growth have been recorded by each Community country and also across the European Union during the period of the globalization

phenomenon. The EU28 Gross Domestic Product was, according to UNCTAD statistics, 4.9 times higher in 2008 than in 1980.

Figure no. 1 The evolution of the European Union GDP (billion dollars)



Source: <http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=96>

For the European Union economy, really complicated problems have arisen with the expansion of the global financial crisis. It can be seen that the EU28 as a whole has failed to reach the level of gross domestic product registered in 2008. The same unfavorable trend was registered by euro area countries. Only 9 of the 19 euro zone countries have succeeded in reaching the level of Gross Domestic Product registered in 2008 in the years following the crisis, including Germany, Belgium, etc. On the whole, the situation of the non euro countries is better, with the gross domestic product in 2014 slightly above the gross domestic product in 2008. Out of the nine countries of the non euro area, 5 countries have managed to recover from the perspective of gross domestic product. In this regard we can mention the UK, Sweden, Poland, etc.

The banking crisis in the European Union seems to be far from over. With a non-performing loan exposure of nearly \$ 400 billion, Italian banks are in a severe liquidity crisis. In a similar situation, we can say even more serious, was the banking system in Cyprus. The European Union has rejected the loan requests for re-launching Italian and Cypriot banks. The position of the European Union was determined by Germany in an attempt to avoid using the German source of financial sources for loans in the euro area. Paradoxically, Deutsche Bank, with more than twice as much as EU28 GDP, has also encountered the same situation. To make things even more complicated, the United States gave a 14 billion dollar fine to Deutsche Bank for the role played by this bank in triggering the global financial crisis. It must be said that this huge fine is very close to the value of Deutsche Bank's share capital. The fine imposed by the United States can also be considered as a response to the 13 billion euro fine imposed by the European Commission on Apple company for violation of legislation. (Marchievici, 2016, cotidianul.ro)

3. Other phenomena that have affected the evolution of the European Union

Beginning with the desire to gain certain advantages at the level of the European Union, but especially for reasons of electoral image, **the UK's exit initiative** was turned into reality by the British vote. It is fair to say that the initiators of this approach bet on another unfolding of the events, manifesting themselves like that in a public way. Of course, both the European Union and the UK will suffer from Brexit, but the major disadvantages are on the side of Great Britain. The problems for London are becoming more and more complicated if we consider the Scottish separation tendencies expressed on that occasion.

It has to be said that Britain has had a somewhat privileged status within the European Union. The fact that the UK was not part of the euro zone enabled it to use the exchange rate to mitigate the negative effects of the global financial crisis. The unemployment rate in the years 2009, 2010, 2011 and even today is much lower in the UK than in France, Spain, Italy, etc. In the period prior to the British referendum in June 2017, the European Union was in the difficult situation of granting some concessions to Britain - hoping that it would not leave the European Union - but at the cost of forcing the principles underpinning this organization.

We can say that the UK is animated by interest, both in its relations with the European Union and with the United States of America. According to statistical data, most of the UK's exports are into the EU countries, taken as a whole, but its most important individual trading partner is the United States. From a political point of view, Britain proved to be a trustful ally of the United States of America, participating with military forces in the invasion of Iraq, in contradiction with Germany and France which opposed this initiative.

By supporting the US initiatives, the UK is trying to play an active, often subsidiary role in solving global issues, with all the benefits of this position.

The exit of Great Britain from the European Union gives Germany the opportunity and the challenge to play the first role in resizing the community architecture. The hectic mechanism involved in Britain's withdrawal from the European Union determines that a new European project can be adopted in a few years. The situation is complicated if we consider corruption, the attack on the rule of law and the economic imbalances in some of the former socialist countries currently members of the European Union, as well as the weak performances that characterize some countries with enhanced democracy (Spain, Portugal, Greece, etc.).

The isolation of America and the protectionist measures promised and to some extent implemented by **Trump** are meant to cause the US diminished trade flows both in its relationship with China and with the European Union. For China, it might be beneficial from a certain point of view; the diminishing US trade presence in Asia will allow the Chinese government to further promote its commercial interests in this area. Instead, for both the European Union and the United States of America, breaking the transatlantic alliance would have difficult geopolitical and economic effects, which would imply a new international order in which the role of the two entities mentioned above as well as the traditional partners (Japan, Canada, Australia, etc.) would be considerably reduced, while increasing the influence of Russia, China, Brazil, etc.

Marked by the bizarre positions of president Trump, America cannot be excluded from the EU's development strategies, and on the other hand, an America's non-economic relationship with the European Union would be less likely to maintain its status as the most powerful world economy.

Liberalization of people's movement, even if it does not amount to the level of liberalization of goods and capital movement, is much more dynamic today than 20-30 years ago. This phenomenon has led to population's migration from poor areas (with remarkable natural growth) to wealthy countries with an aging population.

The pressure generated in the major metropolises by emigrants mainly from former colonies and former socialist countries, on employment and on wages, has led to obvious discontent among many Europeans. Moreover, children from traditional families in Europe are facing tough competition for jobs and enrollment in famous Western colleges and universities against immigrant children, the latter being often very successful.

Over one million migrants from conflict zones who entered the EU in the last three years are the largest population exodus in this area over the last 50 years. Most of them have a **refugee status**. The European Union has allocated considerable sums to provide humanitarian assistance both to migrants in the European Union and outside the European Union (Turkey, Iraq, etc.). In many cases, on the basis of image considerations, the leaders of the EU countries have been engaged in a series of disputes on migration issues. Germany's position, favorable to the reception of a large number of refugees, was complemented by the initiative to establish a quota of refugees for all EU countries, which was highly criticized by many European leaders.

It is worth mentioning that the EU countries have been affected differently by this refugee crisis, most asylum applications targeting Germany, Italy, Sweden, etc.

After the Second World War, the cold war followed, the present generations witnessing a real urban guerrilla warfare triggered by **terrorist actions**, mostly carried out by European citizens with grandparents and grand grandparents from the Middle East.

The massive presence of law enforcement in the streets of the world's major capitals is the immediate and necessary reaction in such situations, but we must not forget that solving the problems of increasing economic inequalities, restricted access to education, etc. could improve the current situation in the future.

When discussing the present and the prospects of the European Union, we must also take into account **the geopolitical situation** in which we are.

The war in Syria has a tendency to become chronic, and military conflicts in Russia are far from a viable solution. To all these we can add Turkey's worrying "games" as a military and economic power in the area, coupled with the fact that Turkey is the only Muslim country that is a NATO member. The internal events that have triggered a worrying manifestation of authoritarianism in Turkey complicate an already tense international climate.

President Erdogan's calling the behavior of some of the EU countries as being Nazi or fascist comes to emphasize the diplomatic crisis between Brussels and Ankara.

While some powers have over time managed to have a global influence using a relatively broad range of means, Russia has succeeded in doing so, but only through the influence of weapons, threats and arrogance. Improving European countries and especially the Central and Southeast European countries' perception on Russia seems at present to be a utopia given the way in which the Kremlin finds the solution to the main internal but especially external problems.

Although Russia is no longer the military giant of the Cold War, it currently holds the most powerful army in Europe, which, along with the possession of huge natural resources, gives it the status of a country with great influence in the area. Russia's intervention in Ukraine and the amputation of the Ukrainian territory, the maintenance of some frozen conflicts in Europe, the great European powers' careful behavior in their relationship with Russia, see for example Germany, are some arguments in this regard.

Although it is far from Europe, the conflict in the China Sea must not be neglected. In this context, the relationship between the United States and Japan is amplified in the idea of blurring China's global expansionary trends.

4. The future of the European Union

Without the UK, the European Union is overtaken by the United States in its gross domestic product. This phenomenon cannot lead to the dissolution of the European Union, but it will increase the problems faced by this organization. Unfortunately, Brexit is not an isolated phenomenon. A significant number of citizens in many EU countries would sympathize with organizing referenda on the exit or desegregation of the European Union. It is worth noting the competitiveness that Germany is trying to impose at European Union level, which could have positive long-term effects both for the whole European Union and for the majority of the EU countries' population. The viability of the European Union depends to a large extent on the application of new economic and social policies, both at State and Community level, so that the citizens of the Union can perceive directly and fully the effects of the measures taken.

There are a number of scenarios about the European prospects, some particularly interesting ones being those synthesized by Georgiana Ciceo:

- a deeper Europe in the form of a federation governed by a diminished-size government, but much more prompt in action, with a common army and foreign policy;
- a flexible but differentiated Europe given the varying degrees of development of its constituent states, the most well-known model from this perspective being that of a Europe with more speeds;
- a pragmatic Europe, which requires a clear delineation of the issues that must remain on the Brussels agenda, of the problems faced by the governments of the countries of the European Union, so that the degree of satisfaction of the Community citizens increases;
- a Europe without the European Union, an idea supported above all by extreme right-wing parties in many EU countries and fueled by both Brexit and the decrease in credibility of the European Political Project. (Ciceo, 2017, p.148, p.156)

Of course, other scenarios about the future of the European Union can also be envisaged, and it is essential that Community decision-makers take steps to increase the solidity and confidence in the European project.

5. Conclusions

Dominated by national interests and supranational interests, which in some cases are contradictory, the European Union seems to have a future, being artificially kept alive for bringing together states; if the European Union were not to exist, it would generate an arms race in Europe and a series of worrisome economic and military alliances with partners like Russia or China. In essence, by maintaining the European Union, a number of specialists appreciate that, from a military perspective, the prevention of wars among European countries is being pursued.

George Friedman captures the highly contradictory feelings that characterize the European Union today, as follows: "Europeans want peace and prosperity. They want to preserve their national sovereignty, but they do not want these sovereign states to fully exercise their sovereignty. They want to be one people but not to share the fate of others. They want everyone to speak their own language, but they do not think this is a barrier to mutual understanding. They want triumph, but they do not want to risk. They want to be fully safe, but they do not want to defend themselves". (Friedman, 2016, p.324-325)

There is a crucial link between the European Union and democracy. In practice, a European Union lacking democracy would lead to the transformation of the European Union into a structure in which powerful countries are imposing their will to the detriment of the least developed ones. Conversely, sovereign states even marked by democracy, without the European Union, would turn Europe back many years ago. We would come back to the logic of balance among the main European states which has nevertheless generated two world wars with catastrophic effects.

Maintaining and strengthening the spirit of solidarity among the EU countries, plus the need to increase confidence in European institutions, are key challenges at the level of the European Union's leadership.

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