EUROPE AT A TURNING POINT

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Introductory note

Dr. Jarosław Pietras
(Director General, Council of the European Union)
We are living in turbulent times—not only in Europe, but across the globe. As every other region, Europe muddles through this turbulence as best it can.

Over the last few decades, the EU has been very successful in deepening integration and withstanding many challenges. Is the current situation different? Or should Europe pursue business as usual? Are current problems temporary or will they persist? Is the EU today better positioned to face such issues, or should the member states try to address them individually? There is no easy and unequivocal answer to these questions. For newer generations, and young people in particular, the relevance of the EU is being tested—now more than ever.

The 2015 edition of the Allianz Summer Academy, focused on “Europe at a turning point: economic crisis, social disintegration, political change,” has therefore been particularly timely and important. Students from several European and American universities long prepared for this debate on pressing European issues. Working with their university tutors, they developed their ideas before uniting at the academy. This extensive preparation phase prevented a simplistic dichotomy of opinions, either for or against European integration. The challenges faced today are complex and their responses cannot be simple. Pinpointing the multifaceted nature of the problems facing Europe was a particularly enlightening exchange with the participants. The complexity of Europe’s challenges becomes clear only when approached from diverse professional angles, different regions and member states, as well as different cultures. In short, the value of the Allianz Summer Academy lies in its participants’ engagement in interdisciplinary discussions and their confrontation of European issues from various points of view. I am very grateful to have been a part of it.
Allianz Summer Academy: Europe in search of answers, Europe in need of dialogue

Felipe Basabe Llorens
(External ASA Coordinator)

Michael M. Thoss
(Managing Director, Allianz Kulturstiftung)
At this time of deep uncertainty in and unpredictability of continued European integration, the expectations raised by the Allianz Summer Academy (ASA) 2015, called together under the title “Europe at a turning point: economic crisis, social disintegration, political change”, could not have been higher. Looking back at the outcomes of these extremely intense five days, indeed they were fulfilled—our participants, fellow academics and select social and political actors from diverse backgrounds confronted and fruitfully discussed the papers representing our participants’ year-long endeavours at their home universities.

The political future of the European continent shows now more than ever a plethora of shadows and dramatic challenges attracting the interest—and even passion—of younger generations eager to change European public debate. In his speech entitled “The European Union in turbulent times”, keynote speaker Dr. Jarosław Pietras, director general at the Council of the European Union for Environment, Education, Transport and Energy and former Polish minister of European affairs, gave a profound analysis of the tensions within the eurozone and many of its members, currently endangering the stability of the currency and inhibiting convergence of its economies. Pietras pointed out that stagnation and economic decline have revealed tensions within and between EU member states and created problems for the economic cohesion of the EU. This crisis, while initially external, has exposed deep-rooted and extant weaknesses of the EU.

On the one hand, the eurozone is undergoing a long period of virtual economic stagnation responsible for multiple symptoms of social malaise, including anxiety over the short and medium term employment perspectives of so many youths now trapped in a negative spiral of closed job markets and poorly paid, uncertain positions. On the other hand, conviction in and reliance upon austerity policies is slowly dissolving in the face of evidence that budgetary restrictions and public adjustments are actually increasing inequality and exacerbating fragmentation and polarisation in our societies without fostering economic growth, employment or prosperity. The appearance of new political parties and social movements in most EU member states attempting to answer, albeit often radically and incompletely, citizens’ demands, together with the influx of growing instability in neighbouring regions round up a dramatic scenario for Europe—one vividly recalled and analysed in the results presented by our 2015 ASA participants in this issue.

The ASA, one of the lighthouse projects of the Allianz Cultural Foundation, enters its 12th year of existence and, in an attempt to broaden the dialogue between academia and civil society at European level, has gone another step further on its new path to fostering dialogue with civil society.

In 2015, students from Università Bocconi in Milan, Italy, Uppsala Universitet in Uppsala, Sweden, Central European University in Budapest, Hungary and Ludwig-Maximilian-Universität in Munich, Germany, together with their transatlantic colleagues from Princeton University in New Jersey, USA, presented the results of their policy reports. The expertise of the participating students covered a wide range of academic subjects, from economics, international relations and diplomacy to European studies, international law, politics and sociology, representing a valuable and diverse panoply of research approaches and experiences. In this issue, you’ll find their diagnoses of and
solutions to the current alienation between the EU and its citizens, the risks and incoherencies of EU asylum policy, the causes and consequences of the European financial crisis, the future of the EU social agenda and the challenges ahead for European youth policy and youth dynamics.

The 2015 academy marked the first time that students presented and actively debated their work with representatives from a wide spectrum of European NGOs working in their respective fields: Citizens for Europe, European Alternatives, the Hungarian Helsinki Committee, the New Economics Foundation and Bridging Europe Greece. The interaction and dialogue between young scholars from prestigious universities and practitioners from civil society proved both mutually enriching and thought-provoking.

The thematic framework of this year’s academy was identified by ACF in cooperation with the five participating universities. It soon became obvious to all participants that the current deadlock in European political and economic debate necessitated close assessment of its social dimension. The academy’s process of open dialogue and mutual learning led to the creation of cross-national workshops/discussion groups, attempting to answer challenging questions like how far EU integration could and should go and how much diversity the EU can handle or tackling issues from new populist and eurosceptic political actors, to new communications strategies required at EU and national levels allowing effective citizen participation in the public sphere, to the impact of neighbourhood instability on EU-wide security and border control policies.

The EU’s ambivalence towards the growing number of refugees stimulated a particularly intense and controversial discussion. The German government’s lack of solidarity during Greek debt crises and draconian Hungarian measures to seal off the country from refugees were highly criticised by almost all participants. Representatives of the Hungarian Helsinki Committee, invited at the suggestion of the CEU students, demonstrated concretely that the Hungarian government has continually violated the “indivisible and universal values of human dignity, freedom, equality and solidarity” defined by the Reform Treaty signed by all EU member states in Lisbon in 2007.

Each ASA creates its own atmosphere and dynamic, and this year’s dealt with the level and complexity of the challenges ahead particularly well. Once again it must be stated that the academy’s focus is not only on producing concrete results, but above all on the process itself—not unlike the European experience of commonly shaping and formulating public policy, arising from diverse cultural and academic traditions and resulting in a unique (European) culture of active dialogue.

In the words of one participant: “I leave this place with an enhanced trust in the European project ... It fuelled my conviction of the need for deeper integration and solidarity”.

Felipe Basabe Llorens & Michael M. Thoss
European disorders, challenges and responses

Professor Harold James
(Director, Program in Contemporary Politics and Society, Princeton University)
Europe—the European Union—is today in a bad shape (as is the world). Jean-Claude Juncker, president of the European Commission, is the first to acknowledge the severity of Europe’s problem. He has for years been striking an increasingly apocalyptic tone: two years ago he thought Europe in 2013 was like Europe in 1913, in other words on the eve of a Great War driven by nationalist quarrels; today he claims that Europe lacks both Europe and union. There is in short a collective hopelessness, a lack of vision of how all the host of individual problems and crises that have built up cumulatively since 2008 could possibly be resolved.

In obvious ways, the crises originated outside the EU, so sometimes Europeans like to reassure themselves by saying that it’s not all their fault. The debt crisis that started with Greece in 2009–10 and then threatened Europe-wide contagion was a secondary consequence of the 2008 global financial crisis that unambiguously started in the US and reached its highpoint with the Lehmann Brothers collapse. The security threat following Russia’s annexation of Crimea and their launch of a de facto invasion of eastern Ukraine in 2014 had its origins in Kremlin policy and in a turn to a confrontational posture with the West that started with the Georgian War—also (perhaps not just coincidentally) in 2008. There is an environmental crisis—seen most obviously in CO2 emissions—exacerbated by the rapid industrialisation of so-called emerging markets. A debate about nuclear energy followed from the Japanese nuclear catastrophe in Fukushima. And there is a refugee crisis borne of civil war and state failure in Somalia, Eritrea, Libya, Iraq and Syria. The repercussions—or political fallout—produced a divided European response, and policy was formulated along quite divergent national lines.

The euro crisis can be read as a conflict both between alternative French and German visions of how economies should be managed and between Europe’s north and south. The Baltic states and Poland were desperately concerned by the Russian security threat, while southeastern European states were more worried about the idea of a rupture with Russia. France and Germany treat the energy issue, the CO2 debate and the lessons of Fukushima in different ways. Eastern Europe and the UK are treating the refugee crisis very differently from Germany or France.

It is easy for Europeans to blame someone else for their problems, but one of the main claims—or boasts—of Europe at the height of the continent’s self-confidence was that it would offer a framework of stability for the rest of the world. At the moment, the European model is looking sadly frayed, and that has bad implications for regional stability in other critical areas, including East Asia but also the Middle East.

In addition it is clear that there are many other divisive issues that are clearly homemade: the design flaws or structural defects of monetary union, the aging demographic profile of many parts of Europe, the weakness of growth. In general there is a problem of coordinating responses to these diverse challenges and building an effective community in which the substantial uncertainties and risks—economic, environmental, social, political—can be mutualised. At the same time, the mutualisation of risk cannot succeed if the benefits and burdens are distributed so as to create permanent gains or losses for parts of the Union.
Economist and political scientist Mancur Olson identified what he termed a logic of collective action, in which powerful sectoral groups frustrate attempts to find an overall collective solution that corresponds to a general or over-arching interest. His analysis offers a helpful way to understand Europe’s contemporary stasis. Obviously the complex political construction of a mechanism for integrating and coordinating the positions of 28 national governments lends itself to blockage by particular interests. In modern Europe, there is really no clear way of articulating and politically representing the general interest of Europeans.

Some contemporary issues that have been tearing Europe apart should not in principle be difficult to resolve if they are seen in aggregate terms. The eurozone as a whole has a lower public sector deficit (as a share of GDP) that the US or the UK or Japan: for 2015 the IMF estimates (April 2015 World Economic Outlook) are 2.3% for the eurozone, but 4.2% for the US, 4.8% for the UK and 6.2% for Italy. The net debt levels show a similar position, of greater European sustainability: 69.8% of GDP for the eurozone, but 80.4% for the US, 82.6% for the UK and 129.6% for Japan. Few outsiders argue that the US or the UK have an impossible fiscal position. Similarly the EU with a population of over 500 million should not have a problem integrating much larger numbers of refugees than the 160,000 that the European Commission hopes to spread throughout Europe. Energy coordination and the greater integration of energy markets would deal effectively with the security threat.

"Similarly the EU with a population of over 500 million should not have a problem integrating much larger numbers of refugees than the 160,000 that the European Commission hopes to spread throughout Europe."

However, when these same issues are treated exclusively within the framework of national politics, they look insuperable. When the problem is framed nationally, no one can produce an answer. The clashes between national approaches generate conflicts that threaten to tear Europe apart.

After 2008, national politics have become more important for two reasons: as an emotional reaction to crises, and as a financial or fiscal reaction that then shapes the kind of response to the challenge that can be envisaged.

First, then, there is a new unease or uncertainty about the world as a whole, specifically about the consequences of globalisation. National politics are sometimes presented as a way of defending local populations against threats that come from outside. The state appears a defense mechanism in the age of globalisation.

Globalisation pulls people together over long distances. But the participants do not always like the results. They find the cultures of others too strange: there are different
cuisines, different languages, different religions. Islam in particular looks strange to many modern Europeans, and its theocratic tendencies run counter to expectations of a secular or non-religious state. There is as a consequence a strongly national element to the populist parties that have arisen in the wake of the financial crisis and the euro crisis.

Globalisation inevitably exposes people to problems in faraway countries. They often respond by thinking of ways to be more self-sufficient. In the twentieth century, the most common form of the response was to demand trade protection, but that is now a more remote threat—because large numbers of consumers are used to the idea of cheap clothing and electronics.

But the story of bad reactions to globalisation is not just confined to trade policy responses. The most obvious human side of globalisation is the way it generates large flows of people. In some of the large emerging markets that are hitting the economic buffers, the political response is that a new or more intense authoritarianism could cure the problem of dysfunctional economics. There are also more wars. As a result many people in those countries are afraid. And people who are afraid are even more inclined to move.

The side of migration that today attracts the most headlines is the plight of refugees from areas of conflict—from Syria or Libya. But that flow is also accompanied by a surge of more economically motivated migration from the Balkans and West Africa. It is also harder to distinguish the motives, as the dramatic population flows are destabilising political structures in wide areas and making for greater conflict and persecution.

Then there is another surge that follows from the destabilisation of emerging markets. As Brazil, China or Russia—not to speak of the Middle East—become more unstable, the mobile and wealthier population wants to rescue as much of its assets as possible. The search for security in bad times—both economic and political security—drives a surge in real estate prices in global safe havens such as New York or London or Geneva. That makes those cities look very glamorous and dynamic, but it also generates huge difficulties as the local population finds that they also are more expensive. Impossibly high real estate prices in the centers of these global cities mean longer and more difficult commutes, more crowding and a lower quality of life.

Secondly, there are more immediate financial reasons why a crisis makes people look more at the national political framework. Managing the aftermath of major financial crises, as opposed to trying to prevent them from developing, always involves the mobilisation of substantial fiscal resources. That task inevitably remained in the hands of national governments, since the EU had only a very small fiscal capacity of its own. So inevitably, when it comes to demands for state action, people focus on national states, and these are the wrong framework for dealing with many of today’s problems.

Focusing on the national unit and its fiscal capacity has had further consequences for the way in which people view Europe. Not all 28 member states are the same size; and in the course of the crisis, it has become clearer that many solutions are hammered out essentially between two countries, France and Germany; and even that Germany is substantially more powerful and effective than France. So a great deal of the crisis
turned out to be a debate about the new German question: about the extent of German power, and whether or not modern Germany had the capacity or the willingness for leadership in Europe. Almost every sort of German leadership is deeply problematic, however. Thus the nationalist right in other European countries will even see Germany’s positive response to the refugee crisis as an egotistical attempt to exploit cheap labour opportunities following from increased migration. Marine Le Pen of France’s National Front party speaks of Germany creating a new empire based on slave labour.

There is in other words a need for a mechanism for seeing the big picture issue: for zooming out from the obsession with the national and onto the aggregate, to the big picture, to Europe considered as a whole. But how can Europeans get this larger picture, and how can they stop seeing the world primarily in terms of national interest, national advantage and national egotism?

That is where some more unconventional thinking is required, and it may be that the young are in a position to break out of established modes of thought.

The papers presented at the Allianz Summer Academy 2015 by the five different university teams all address different aspects of Europe’s contemporary malaise. Bocconi examines the roots of the economic crisis. Uppsala deals with the absence of a social element in the story of European integration. LMU-Munich asks how the challenge from radical populist parties—especially (but not exclusively) from the nationalist or hyper-nationalist right—may be defused. Budapest’s Central European University gives a striking example of how Europe—and especially national governments—are mishandling the issue of migration and refugees. New Jersey’s Princeton looks at how a gerontocratic Europe is marginalising and alienating its youth.

Some of the ideas presented here concern the institutional arrangements for making European politics: for instance, expanding the use of electronic voting as a way of shifting the way in which the opinion-forming process runs. Others involve increasing opportunities for Europeans—especially young Europeans—to move, so that they will see problems from different, unfamiliar and other perspectives.

The deep economic, social and political crisis has produced a vicious cycle that grips the imagination and confines the capacity to act. Each new element of the crisis prompts thinking that the member states should act as a defensive carapace; but each worsening of the crisis also demonstrates the ineffectiveness of individual member states in producing effective responses. So politics becomes increasingly radicalised and increasingly ineffective.

From the time of Jean Monnet the technocrats of European integration envisaged a process that was driven forward by crisis. Each new crisis would generate a new mechanism for resolving it, and greater integration, cooperation and coordination would simply follow through an automatic and inexorable mechanism. That vision failed to take into account the ways in which really severe crises generate mechanisms that intensify rather than diminish conflicts and clashes.

An alternative to the destructive capacity of crises can only emerge in a discussion that enlarges and widens the horizon. That cannot follow from institutional tweaking. It requires a new imaginative leap.
Alienation between the EU and its citizens is leading to a strong European Identity. Institutions are called to facilitate direct democratic participation and representation. The economic, political, and social crises in member states are contributing to the fragmentation of the EU. The need for a new model for cooperation and sustainability is urgent. The Swiss model offers an example of disintegration and reintegration. The diversity of citizens, cornerstones of a community of diversity, and the different ways of democracy are vital for the EU. Critical anti-European voices and institutional design need to be addressed. The lack of trust in the political economy of EU nations is also a concern. Values such as dignity, ethics, respect, and equality must be reinforced.
European identity at a turning point: alienation between the European Union and its citizens

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Over the past few years, the European Union has faced and needed to overcome the threat of euroscepticism; even quite wealthy countries like Germany have witnessed such sentiments emerge. Therefore, this article argues that the EU crisis, and more precisely social disintegration, is not merely a question of economics, but rather a crisis of identity which has led to alienation between the EU and its citizens. In order to overcome fragmentation and scepticism and to strengthen European identity, this paper identifies direct democracy at the European level and enhanced parliamentary cooperation as two strategies to bolster democratic accountability.

Since the financial crisis of 2007 and the recent public debt crisis, the European Union has been confronted with mistrust, scepticism or even outright rejection. But economic weakness is not the only trigger of such sentiments; even strong countries like Germany face euroscepticism. In light of such developments, this article focuses on the importance of social disintegration and political change within the EU, placing particular focus on the alienation between the union and its citizens. This is an extremely important development to consider as a “growing number of people have turned their back on Europe” (Emmanouilidis 2014:12).

This article begins by explaining the EU’s critical condition through the nexus between the consequences of European crises and the rise of eurosceptic parties which are a manifestation of social disintegration. This report then turns its attention to European identity, with democracy as its cornerstone. Here we show that even the beneficiaries of the crisis face social dilemmas. The following section analyses the fragmentation stemming from the aforementioned problem. To put theory into practice, this report identifies two strategies—namely empowering European citizens through direct democracy in the EU and strengthening accountability and legitimacy through enhanced parliamentary cooperation—to bridge the gulf between the European Union and its citizens.

**NEXUS BETWEEN THE CONSEQUENCES OF EUROPEAN CRISIS AND THE RISE OF EUROSCETIC PARTIES**

Europe is currently facing a number of complex and extremely interlinked crises posing a fundamental threat to the continued existence of the EU itself. Besides the economic crisis, which includes the banking and public debt crisis, the EU must handle an institutional crisis in which its citizens display significant mistrust of the EU’s institutions. The social dimension can be seen as the most serious issue, putting the EU under pressure (Stevenson 2014:23). The misery of the social crisis can be seen by skyrocketing unemployment rates, particularly among youth. A further debilitating effect on the EU is the widening gap between wealthier and poorer nations. The EU’s inability to initiate reform and the complexity in decision-making round off this chorus of criticism.

According to the Standard Eurobarometer 82 from autumn 2014, only 14% of the EU 28 “tend to trust” in political parties, compared to 80% of European citizens who “tend not to trust” them (European Commission 2014:38). The scope and seriousness of the aforementioned problems caused by the crisis are also reflected by the outcomes of the 2014 European Parliament (EP) elections. 36% of the seats in the EP are occupied
by eurosceptics, compared to only approximately 20% in 2009 (*The Economist* 2014). It is also striking that both sides of the political aisle pose a threat to the EU. Despite their widely different ideological roots most of these eurosceptic parties can be categorised as anti-establishment and populist movements, manifesting themselves in their programmatic stance. By questioning the political system and offering merely populist solutions, these parties pose a threat to the European project itself.

**DEMOCRACY: THE CORNERSTONE OF EUROPEAN IDENTITY**

The legal and political basis for suretyship is the Copenhagen European Summit of 1973 where the Declaration of European Identity was ratified (CVCE 2013). Their definition of a European identity involved a “unity ... of the community”, “the European identity in relation to the world” and the “dynamic nature ... of a united Europe” (Radeljić 2014:4). The 1993 Treaty of Maastricht was a step towards a stronger European identity, a milestone in the European integration process (Bekemans 2014:36).

One of the characteristics of Europe is that it is the product of a diversity of citizens and their cultural characteristics. Bekemans (2014) argues that “Europe should be seen as an added (enriched) value to our multiple identities. The European identity relates to a community of shared values such as solidarity, ... respect for diversity ... and human dignity” (24–25).

In fact, it is striking that most contemporary research neglects the relationship between political elites and their *demos*—the core of democracy. Therefore, it is advisable to connect democracy with the European identity, and we believe that democracy is the cornerstone of Europeanness. The EU integration process has been an elite project from the very beginning—without direct democratic legitimation. This was acceptable in times where the remit of the EU was limited in its competences and its decisions were indirectly legitimized by the national parliaments due to the dominance of the principle of unanimity in the Council. Nowadays, the EU is equipped with a wider range of competencies, causing a lack of democratic legitimacy. Additionally, the increased use of majority decisions weakens the control of national parliaments over EU decisions. We conclude that the EU needs to develop its own democratic legitimacy.

**EUROPEAN IDENTITY AT A TURNING POINT**

As stated above, the current EU crisis is not merely a question of economics. Indeed, it is mainly an identity crisis, the diminished trust of European citizens in the EU reflected by the last European Parliament elections. As the democratic principle lies at the core of European identity, the enlarged competencies of the EP and its comparatively decreased democratic legitimacy deprive countries and citizens of the right of consultation. When countries, parties or citizens turn their back on the international arena, fragmentation occurs, putting the European identity under pressure.

We regard the so-called politicisation of European integration as the theoretical framework of the growing tendency toward euroscepticism, described by Wilde (2011) as
“an increase in polarization of opinions, interest or values and the extent to which they are publicly advanced towards the process of policy formulation within the EU” (560).

The main indicators of politicisation in the EU, according to Schimmelfennig, Leuffen and Rittberger (2015), are mass level salience and opposition to European integration, the mobilisation of eurosceptic public opinion by eurosceptic parties and opportunities to voice eurosceptic opinions in national referenda or EP elections (771).

Germany is perceived as one of the main beneficiaries of the eurozone and coped successfully with the European debt crisis (Young & Semmler 2011). Meanwhile, EU member states like Greece, Spain and Italy have suffered enormously from the consequences of the crisis and are still struggling to overcome the critical economic situation. Despite the economic strength Germany has maintained throughout the European crisis, eurosceptic sentiments have emerged within the country while positive attitudes towards the European project decline, evidenced by the rise of the eurosceptic party Alternative for Germany (AfD). Therefore, an economic explanation alone is insufficient at this European turning point. This leads to the conclusion that other factors beyond economic issues determine European citizens’ attitudes towards European identity. EP campaigning in 2014 has shown various anti-European and eurosceptical sentiments on both edges of the landscape of political parties in Germany.

THE DIFFICULTY OF FRAGMENTATION

An analysis of fragmentation will enable us to focus on this question: What is European identity and how does fragmentation challenge European unity? Even in relatively prosperous EU states like Germany, euroscepticism has increased. Therefore, we assume that fragmentation threatens further European developments and its existence in the long term.

Globalisation and fragmentation work in opposite directions. Globalisation leads to a widening and deepening of interdependencies between states, thus forcing states to harmonise their policies with one another. In contrast, fragmentation means a reduction of these connections, thus decreasing the need for states to harmonise. Similarly, globalisation lessens the importance of state borders while fragmentation fosters their meaning. If a country is forced to globalise faster and deeper than it wants to, the loss of sovereignty can lead to scepticism concerning further developments (Rittberger 2010:78–80). Decisions made without or against a state can increase fragmentation, too, as the state may be driven to oppose the deciding entity. But as globalisation does not reach all parts of the world with the same intensity, some states are less globalised than others and witness fragmentation over a longer period of time. Also, democratic deficits and feelings of impotence concerning international relations can wear out states’ trust in international organisations and lead to an intended fragmentation (Rittberger 2010:106–09). These mechanisms of fragmentation occur in Europe today.

Currently, Europe is witnessing increasing fragmentation. Recently, eurosceptic parties have gained more and more power in the EU, especially in the EP. Fragmentation is certainly not a new phenomenon in the European party system, but recent
developments “provided a fertile ground for populist ‘anti-forces’—anti-EU, antieuro, antimigration, antiestablishment—on both the left and right of the political spectrum” (Emmanouilidis 2014:99).

The economic crisis is still having a big impact on Europe. The solutions to this problem have often been changed, corrected and decried as failures. Insecurities endanger the unity of the EU. For this paper, the fragmentation between EU citizens and the political decision makers is of special interest. “There is a widespread feeling that the EU has ... been ‘part of the problem’, poisoning national debates and public attitudes” (Emmanouilidis 2014:98). Europeans are wondering whether the EU and the decision-makers represent their country well. Meanwhile, fragmentation between the EU member states and their national societies has caused a wave of reinforced nationalism and prejudices, leading to a stereotype-biased mistrust between nations. Interpretive fragmentation is another concept whereby the varying living conditions of EU citizens challenge their understanding of the circumstances in other countries (Emmanouilidis 2014:99). All of these forms of fragmentation can affect a state itself, causing fragmentation between the nation state and its citizens. In the EU, these problems are more important than elsewhere, as the opinions of each member state and its parties can affect their opinion on EU policies heavily.

EMPOWERING EUROPEAN CITIZENS THROUGH EU DIRECT DEMOCRACY

In order to address the EU’s direct democracy deficit, the Treaty of Lisbon (2009) included an element of direct democracy at the European level for the first time (Obwexer & Villotti 2010:108). The European Citizens’ Initiative (ECI), as “the first supranational instrument of direct democracy, creates an additional direct link” (García et al. 2012:2) between EU citizens and the institutions of the union. We see great opportunity in its ability to strengthen transnational democracy.

Since its introduction in 2012, EU citizens are able to participate directly in political decision-making. The establishment of the ECI thus raises the question whether it can diminish the direct democracy deficit and whether it is an efficient tool for generating participation and thus fostering European identity. In order to answer this question, we evaluated whether the ECI is a newly established input mechanism conveying citizens’ concerns with higher efficiency into European politics. Therefore, we measured the efficiency of the ECI by referring to the input and output model of EU legitimacy by Scharpf (1999: 16). He assumes that the EU possesses a lack of input efficiency because socioeconomic, institutional and cultural diversity interfere in the development of an overarching European identity. Three criteria that appear relevant to us helped us to measure the ECI’s efficiency: enforceability, relevance and motivation. We have chosen the four most popular citizen initiatives in order to create validity and have analysed them on the basis of the three aforementioned criteria. Even though these four initiatives have been
civil concerns since the introduction of the ECI, the EU citizens’ concerns raised neither public attention nor awareness due to a lack of an enforcement mechanism. Our evaluation of the input efficiency of the four initiatives shows clearly that EU citizens’ concerns have been addressed with greater frequency since the implementation of the ECI, but there have yet to be any concrete policy changes on these issues.

To summarise, the lack of input efficiency has been addressed in the first real direct-democratic instrument, the ECI. This leads us to the assumption that the ECI has the capability to establish governance by the EU citizens. However, it is debatable whether the ECI is a well-constructed mechanism with the ability to convey citizens’ concerns into EU politics. Currently, EU citizens may launch an ECI but the Commission can refuse these proposals. This mechanism unfortunately does not bridge the gulf of the direct-democratic deficit of the EU due to organisational and technical problems. Thus, the chain of command has to be changed from a top-down to a stronger bottom-up process. So far, we do not see the ECI as a real direct-democratic instrument.

How can direct democracy be improved and European identity strengthened? We are in need of a stronger participatory union equipped with involvement of citizens in EU policy-making. As demonstrated above, we should avoid high expectations concerning the political potential and the direct democratic influence of the ECI. But current literature offers recommendations as well as reasons why it definitely is favourable that the ECI continue to develop. Our first recommendation presents the most promising measures to overcome major obstacles currently facing the initiative. Firstly, a Citizens’ Initiative Centre could be established “as a one-stop shop for support and information to ECI organisers” (Ballesteros et al. 2014:53). Consisting of an office and an online platform, such a centre could offer services such as supporting the search for potential partners, replying to information requests of any kind and providing detailed guidelines on the rights of the ECI organisers and all administrative procedures through the ECI process (Ballesteros et al. 2014:53). Secondly, ECIs should have the ability to require implementation through treaty amendments (ECI Campaign 2015). There are innumerable issues that are important to citizens requiring EU treaty changes. As the Commission has the right to do so on its own, the ECI should also have the power to propose treaty alterations. This measure would strengthen bottom-up developments, as citizens would have influence in adjusting treaties and therefore a say in EU politics. With these recommendations the ECI’s influence will undoubtedly be increased so that in the future the ECI will become a more successful connecting mechanism between European citizens and EU institutions like the Commission.

Our second proposal is the establishment of real direct-democratic instruments following the Swiss model. Switzerland offers its citizens three mechanisms to participate in political decision-making and increase their discretionary competence. Popular initiatives for constitutional amendment and obligatory or optional referenda ought to be introduced on the European level (Baglioni 2004:93). This approach could increase the union’s democratic legitimacy and should strengthen a pro-European direction as one can assume “a more vibrant political participative landscape” (Baglioni 2004:93). We are convinced that a participative EU can stimulate citizens’ interest in politics and
potentially weaken citizens’ scepticism of European institutions. Real direct-democratic elements can halt political apathy in Europe.

We highly recommend introducing participative elements on the European level to generate a prosperous future for a common Europe. In our opinion, European identity can be strengthened in this manner, thus setting a pro-European direction and shifting the turning point from social disintegration to social integration.

**STRENGTHENING ACCOUNTABILITY AND LEGITIMACY THROUGH ENHANCED PARLIAMENTARY COOPERATION**

Many EU citizens feel uncomfortable with ongoing EU integration and the increasing significance of the decisions made in Brussels in their daily lives because they “feel they cannot influence the formulation of policies” (Emmanouilidis 2014:12). The opaque, often incomprehensible and complex decision-making system is not only a breeding ground for eurosceptic parties, but it also has the potential to create a lack of democratic accountability and legitimacy. In order to heal this deficiency we argue for a strengthening and deepening of the cooperation of the EP and the national parliaments. Although treaty after treaty has progressively empowered the EP (Mayoral 2011:1), unilateral reinforcement of the EP has proven inefficient.

A cooperative approach between the EP and the national parliaments would consider that both—each at their level—represent the very same citizens. Working together would ensure respect for the principle of subsidiarity and would enable them to reconstruct democratic legitimacy. By incorporating both levels, the consideration of their citizens’ various needs could be guaranteed, thereby reinforcing the ties between representatives and the represented.

Interparliamentary cooperation has progressively improved. Since the Maastricht Treaty, the importance of deepening relations further has been acknowledged, and the Treaty of Lisbon endorsed the relevance of the involvement of national parliaments in EU parliamentary activities. Nevertheless, academic research on cooperative approaches offers some criticism. Winzen (2012), for instance, raised the obvious question of how it could be measured effectively. Acknowledging such criticism, we still see the cooperation of the EP and national parliaments as a way to strengthen democratic accountability and legitimacy.

Our main aim is to reconnect the EU to its citizens by restoring the accountability and legitimacy of the democratic decision-making process. In spite of various improvements, current cooperation does not offer an effective solution to the lack of democratic legitimacy. The exchange of information through diverse platforms is a first step in the right direction, but is not in itself sufficient due to its dependence on the political will of individual members of the national parliaments. Therefore, we argue for a more institutionalised setup of interparliamentary relations—an enlargement of a strong, common European legislative composed of the EP and member state parliaments. Our suggestion aims to create entangled legitimacy on the European level. As a first step, the EP should receive a complete right of initiative, and the standard procedures of the legislature...
should be extended to all policy fields. As a second step, national committees should be incorporated directly in the decision-making process and be equipped with veto rights in sensitive policy fields, such as social issues. The newly created assembly composed of the EP and national parliaments would be supplemented through a second chamber represented by the council of ministers. In this way, it could be ensured that citizens’ various needs, whether on the European or national level, are considered. The ties between representatives and the represented population would thereby be reinforced and enable the reconstitution of the EU’s democratic legitimacy.

As demonstrated, solely advancing the existing cooperation procedure will not solve the democratic deficit. As the European project comes to a turning point, it requires a revolutionary change in its understanding of European parliamentarism.

European identity is at a turning point. Social disintegration, in our view the alienation between the EU and its citizens, is the primary threat to the continued existence of the EU. We outlined the nexus between the consequences of European crisis and the rise of eurosceptic parties contributing to social disintegration. It has become clear that the democratic principle is the cornerstone of both identities—European and national. In our opinion, democracy must be practiced and experienced at the European level and not solely at the national level. If the latter remains the case, fragmentation will expand. We believe two strategies could bolster EU democracy. The EU must reinforce direct democratic elements while guaranteeing and deepening cooperation between the EP and national parliaments. In the end, the EU must accept that only a change in its behaviour can lead towards a communitarian future.

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It’s participation, stupid?
No, it’s not

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European Democracy Lab is a young, cross-generational, inter-disciplinary think tank, independent of any political party and working on new ideas for the future of European politics, its economy, and our shared society.
It has become quite trendy to call for more participation and blame European citizens for their lack of engagement and interest in European politics. European citizens’ initiatives sought to cushion this reality and trigger more bottom-up activity. And yet, we are chasing the wrong debate. More participation and ultimately a fully direct democracy is nothing more than the erosion of representative democracy, thus far the only system capable of allowing polities bigger than Switzerland to organize their common economic, political, social and cultural realm. Rousseau reminds us that the general will is not the sum of individual interests: direct democracy has never worked, and it is time to remember this in Europe today!

"Direct democracy has never worked, and it is time to remember this in Europe today!"

What we really need is a functioning European system in which the promise of political power is achieved: dysfunctional policies can be changed, government can be voted out and opposition is possible without being against the entire system as such. That kind of system would be one set-up under Montesquieu’s principle of division of powers. For Europe, it is time to adopt this and end technocratic trialogue meetings, which are nothing more than a bumpy median leading to a dead end.

The technocratic interim solution of governing Europe has become “business as usual” and is the best example of a hollowed-out polity. British political scientist Colin Crouch has described it as postdemocracy: a system where “you can always vote, but you have no choice”.

This is bluntly visible in the Greek case as well. A renewed government has close to no choices and is ultimately subjected to following the very logic it wanted to overcome in order to avoid the same mistakes again.

The answer to the malaise of the European trilogy producing unsatisfying results is thus not to have greater participation, but rather to create a functional political system on the European level—not least because we currently witness that even millions of signatures against TTIP will probably not prevent the treaty.

The so-called democratic deficit cannot be solved with more transparency or more participation—that is, with the very terms the current European discussion is zeroing in on. One could also say that debate has stalled. More participation will not make France’s Marine Le Pen disappear, more transparency will not deprive Hungary’s Viktor Orbán of his power. Democracies that are merely formal in nature cannot provide any of that. The political system in Europe—and beyond—must keep its functional promise.

Empirical studies now show a clear correlation between poverty and voter turnout, even in Germany. Formal participation in elections offers no real political alternative and therefore no hope of possible improvement in one’s own life, which is why people do not vote in the first place. Politics is no longer functional. The crucial point is that democracy has deteriorated into a formality. In this sense, today’s question is about the return of the political power to shape processes as a reaction to the postdemocracy world we are living in.
In *The Society of Equals*, Pierre Rosanvallon gets right to the heart of it: “We thought democracy is about participation, but actually it is about equality” (2013), recalling the motto of the French Revolution: liberté, égalité, fraternité. Freedom is only conceivable in conjunction with equality. If formal democracy is on offer but the social question is not answered or society’s promise of equality is not honoured—at least to a certain degree—then the democratic system has failed because it no longer fulfils its function. Democracy is about preserving social bodies.

An installation artist recently produced a small art performance and documented the following in a series of videos: five people were given the task of making a bowl together on a pottery wheel. They could not do it. Perhaps it is better to give the power to one to form a bowl out of which many can drink and change the potter when the bowl becomes crooked? This is at least the message of the art performance. In other words: European citizens didn’t (and don’t) turn their back on Europe; they turn it—and rightly so—on a dysfunctional European system.

Delivery and governance, not identity, are the real problems. The real disconnect of today is not the one between European citizens and the European project—as this paper argues—but the disconnect of national political elites obsessed with populism and lost in an incomplete system. The political decision-makers today are bound to destructive structural ties and their own lack of courage to do the obvious: decisively pursue the path of European treaty change to get a more functional European polity instead of greater participation.

The so-called populists, meanwhile, have well learned their lesson. Offering guidance or rather authority combined with catchy stories works better than pragmatism and formal offers of participation.

In certain respects, the populists are traditional and thus better fit a political system that is still analogue. They set up parties that function in the European political system. The generational dynamic in this debate is an important factor: A countervailing civil society entity would need to be politically bundled to be able to induce change. It seems as if civil society, or the young protestors, can no longer manage to pool interests. Hierarchies, asymmetrical structures and long procedures—the essence of party politics and leadership—are no longer accepted.

"A countervailing civil society entity would need to be politically bundled to be able to induce change."

The real answer to populism—which has been called a European identity crisis but which actually conceals a European social crisis—would be to tackle the social problems at our society’s roots. Addressing the social and cultural exclusion disempowering large numbers of citizens all across Europe today—especially those living in abandoned, mostly rural regions and areas—offers a much more functional solution: an interconnected European people. A commitment of the European government system to attack
this reality upfront and strive for change would do a lot more against the populist threat than the promise of merely formal participatory procedures. Moralisation against populists while negating their arguments does not help either. It only leads to further polarisation, restarting the populist vicious circle.

"The real answer to populism—which has been called a European identity crisis but which actually conceals a European social crisis—would be to tackle the social problems at our society’s roots."

To conclude, it is not a lack of European identity that is to blame, but rather the elitist and misguided setup of the EU that has created an incohesive European populace, lost in the many details of a European polity and an incoherent political system which appears both foreign to and far away from reality. Solving the problems arising therefrom through greater participation cannot be a European remedy. It can, however, spark an understanding of the underlying structural problems. To solve these, Europe needs a fully functional political system and a social system in which the European people are the core of all political decisions—both their own and those of their elected representatives.
Crossroads: An Analysis of the Current Approach and the Future of the Social EU

Discussion

- Social reforms
- Economic programs
- Welfare + Taxes
- Education + Training
- Social Security Systems
- Unemployment
- Hard policy
- Education
- A standard minimum?

Recommendations?

- Establish a toolbox for the different levels [economic, social]
- Increase employment
- Avoid social and economic imbalances
- Cross-cutting issues

Current Social Issues Approach

- Competencies are limited
- OM/CE open method of coordination
- Principles, eg subsidiarity
- Highly competitive markets: what to do?
- Combine EU identity with national identity
- Court is actor for social EU implementation & integration
- How to keep social integration an option?
- Step back, cooperation is possible

Core Issues

- Continued mix of coordination
- Social & economic imbalances could be part of the way
- Necessary to distinguish between nation-level & EU-level

Burning Hot Topics

- How to keep the EU citizens
- Sustainable guiding national economies, fiscal & social policies
- Social cohesion
Crossroads: an analysis of the EU's current approach and future alternatives to social issues

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The starting point for this paper is the massive social challenge facing the European Union. In order to assess the EU’s current approach to social issues, we discuss its constitutional framework, policy tools and governance structure in brief, followed by a presentation of three future alternatives for a social EU. We conclude that the first alternative, a political union, is not a realistic option in the current environment. We instead advise the EU and its member states to choose between the second and third alternatives, i.e. an improved status quo or a multi-speed EU.

In the past few years the EU has been closely associated with the word crisis. Five years after its start, the eurozone crisis remains omnipresent in the EU and its member states. The economic and social impact of the eurozone crisis has been far-reaching, and institutional changes made by the EU have caused the debate regarding the union’s democratic legitimacy to gain momentum. Moreover, the threat of Grexit or Brexit is a headache for EU and national politicians, not to mention the question of how to solve the ongoing migration crisis. There is no doubt that the EU is under severe stress.

The starting point for this paper is the massive social challenge facing the EU in the aftermath of the eurozone crisis. We start from Jacques Delors’ assumption that “l’Europe sera sociale ou ne sera pas”: Europe will be social or it will not be. Thus, we argue that the EU needs to become more socially oriented whether it likes it or not, otherwise the whole integration project might be at stake. When we speak of a social EU we refer to a union with a more balanced approach to economic and social objectives and practices, giving higher priority to social issues than at present. The aim of the paper is to point towards future ways to develop such a social EU. We conclude that the EU can choose between three different alternatives to social issues. The first alternative, a political union, is not a realistic option in today’s setting. We instead advise the EU and its member states to choose between the second and third alternatives, i.e. an improved status quo or a multi-speed EU. Before presenting the different alternatives more thoroughly, we will assess the status quo by examining key aspects of the EU’s current approach to social issues.

**THE CURRENT APPROACH: CONSTITUTIONAL FRAMEWORK, POLICY TOOLS AND GOVERNANCE STRUCTURE**

The EU’s constitutional framework has traditionally been characterised by asymmetry between economic and social objectives. In some ways, however, the 2008 Lisbon Treaty represents a new era. Since its passage the EU has been guided by clearly social objectives, e.g. combating social exclusion, promoting social justice and solidarity and working towards a highly competitive social market economy (Treaty on European Union (TEU), art. 2, 3).

Even so, constitutional asymmetry remains between economic and social objectives, in that the member states have given no—or very limited—competence to the EU in social issues. As a result, the EU has limited tools to execute its social objectives. Moreover, economic redistribution, a central part of social policy, is left in the hands of the member states (Börzel & Hosli 2003; Cerioni 2015). Thus, the EU’s social dimension
is driven by negative integration, i.e. prohibition of member states’ discriminatory or restrictive measures (Damjanovic 2013). This means that the EU with its inherent liberalising open market rationale is able to affect its member states’ welfare systems through negative integration. This development is partly enhanced by the increasing marketisation of welfare services, blurring the divide between traditional social welfare and economic services. As a consequence, the European Court of Justice (ECJ) is given manoeuvrability to steer development, while the member states have limited possibility to “take back” lost control through EU legislation. The member states’ loss of control over welfare sovereignty cannot be compensated on an EU level since there are no legally binding instruments (Damjanovic 2013). There is therefore a risk that law produced by the ECJ’s rulings will be used as a mask for politics (Scharpf 2009). This kind of “integration through law” has according to some scholars a liberalising and deregulatory impact on the socioeconomic regimes of the EU’s member states, especially on continental and Scandinavian social market economies (Scharpf 2009).

The EU’s main social policy tool is the open method of coordination (OMC), a form of soft policy coordination that is not legally binding. OMC implies that the member states agree upon common objectives and measure their progress towards these objectives. Such frequent policy evaluations not only help the member states to learn from each other’s practices, they also function as a form of peer pressure. When introduced, OMC was presented as a middle way, allowing the EU to adopt a stronger role in co-ordinating member states’ social policies while ensuring that member states formally retained their authority (Büchs 2008).

OMC has come to serve as a basis for the Lisbon Strategy and Europe 2020, the EU’s past and current growth plans which touch upon a wide range of social issues. However, OMC has been criticised for a lack of inclusiveness and efficiency. One main problem is the limited involvement of national parliaments. Scholars highlight that most national parliaments have remained uninterested and marginalised in national OMC processes and have consequently failed to make an impact (Büchs 2008; Duina & Raunio 2007; Michalski 2013). National governments have instead come to function as gatekeepers of OMC, not providing enough room for other national actors. Another problem is that OMC has not been sufficiently efficient. The ambitious objectives identified in the Lisbon Strategy were not achieved (which according to many was a function of too ambitious objectives). Even though OMC has contributed to changed perceptions, there is little evidence of any policy convergence (Büchs 2008).

It is possible, however, that the EU’s new governance structure (mainly the European Semester) has provided a sought-after framework for how to involve relevant stakeholders and increase the efficiency of OMC. Nevertheless, evaluations of Europe 2020 and the European Semester made by the EU itself indicate this has not been the case (European Commission 2014; 2015a; 2015b; 2015c). According to the Commission, both Europe 2020 and the European Semester have suffered from a lack of political ownership and compliance. Thus, there are still reasons to be concerned about the inclusiveness and efficiency of OMC. If OMC is to remain the EU’s main social policy tool, these inherent flaws need to be fixed.
Since 2011 the core of the EU’s economic and social governance structure is the European Semester. The Semester intends to improve coordination within the EU and has given the union increased possibilities to scrutinize and guide economic, fiscal and social policies (Costamagna 2012). Every year the Commission presents country-specific recommendations (CSRs) on economic and social matters to all member states, based on analyses of EU-wide and country-specific developments. The CSRs target the overarching goals in Europe 2020 and are supposed to form the basis for each member state’s draft budgetary plan (DBP).

Scholars disagree on whether the European Semester has affected the balance between economic and social objectives. Some argue that increased coordination of budgetary and financial issues has come at the expense of a social EU, as it has made expansionary public spending difficult. This might undermine the implementation of Europe 2020 and its social objectives (De la Porte & Heins 2015). Yet others view the European Semester as a way to change the current imbalance by offering new opportunities for the EU to mainstream its social objectives (Zeitlin & Vanhercke 2014).

Regardless, most scholars agree that the European Semester has become more socially oriented over time (Zeitlin & Vanhercke 2014). Today a broader social policy discussion is taking place, with many working groups and different configurations of the Council of EU involved. Besides macroeconomic issues, discussions on social security systems, pension systems, reduction of poverty and social exclusion are often featured.

The mix of hard and soft policy coordination in the European Semester is a common topic for debate. When it comes to economic matters, the Commission has access to hard policy tools. Member states can even be fined if they continuously fail to address deficits and imbalances. However, when scrutinising and guiding social matters, the Commission has to rely on OMC. A large problem is the lack of implementation of the CSRs—which varies between 20% and 80% (Zeitlin & Vanhercke 2014). Thus, the Semester provides a framework for discussing social issues, but that might be all it does.

**TENSIONS WITHIN THE CURRENT APPROACH**

From this brief analysis two essential tensions can be identified between economic and social objectives and soft and hard policy coordination. Starting with the former, the imbalance has persisted despite the EU expressing social ambitions as exemplified in the Lisbon Treaty and the further socialisation of the European Semester. The difficulty in translating these ambitions into a social model that the member states can agree upon begs the question of whether it is in fact feasible or in the end a mission impossible. A continuing lack of consensus is to be expected as further social integration would damage national sovereignty in an area closely related to the member states’ national identities with considerable redistributional effects.

As mentioned, with the new economic and social governance structure, the EU institutions have been given a more intrusive role in national policy-making. The growing discontent among citizens of many member states illustrates that strict fiscal discipline and balanced budget rules have come at a high price. Faced with cuts in welfare services,
it is difficult for the European public to accept that austerity policies might be beneficial in the long run. The ongoing Greek drama serves as a telling example. Despite five years of austerity policies, economic growth is not within reach and it is obvious that the Greek people have had enough. This kind of public discontent provides a breeding ground for euroscepticism. What the EU needs least at this critical juncture are actors applying populism against the European integration. Thus, there are indeed many reasons for the EU to continue its work to further “socialise” and balance its new governance structure. Otherwise its social ambition is likely to be unattainable.

Moving over to the second tension, the main problem with soft policy coordination is the lack of compliance. It seems like OMC has contributed to ideational convergence, but there is little evidence of any policy convergence. Thus, it is questionable whether the OMC toolbox is effective enough at a time when strong measures are required. The problem is that there are no obvious alternatives to OMC. Hard policy coordination would indeed probably increase compliance and consequently policy effectiveness. Yet, it would be difficult to convince member states to surrender their sovereignty and agree upon a common social model. Further, the EU’s democratic deficit is another obstacle to hard policy coordination, mainly because of the lack of input legitimacy which is a requirement when dealing with social policy and redistributional effects.

From a democratic perspective, soft policy coordination is a safer option as the member states always can choose whether or not to follow the suggested recommendations depending on public opinion. With the current approach, however, there is an inherent risk that unelected entities such as the European Commission and the ECJ steer development without input from democratic institutions. The undemocratic character of these powerful EU institutions and the high salience of social policy are, from a democratic perspective, a problematic combination. Making sure that national stakeholders are sufficiently involved is consequently of utmost importance. Increased political ownership could also prove a shortcut towards increased compliance and policy effectiveness.

THE WAY FORWARD: POLITICAL UNION, IMPROVED STATUS QUO, OR MULTI-SPEED?

One way forward would be development towards a political union. Some argue that a successful social EU depends upon the member states surrendering more of their sovereignty, including the authority to levy taxes. Increased social competencies would enhance the EU’s ability to pressure member states to comply with EU law, while policy-making could remain an ordinary legislative procedure in which the European Parliament ensures some democratic legitimacy. Moreover, a move towards political union would hopefully increase the public’s interest in EU politics.

The current framework makes such major changes impossible. Hard legislation requires a change of the Treaties. So what is needed to make this happen? Generally EU citizens are not opposed to further integration. The latest figures show that 44% of the respondents support development of a federated EU, while 35% are opposed (European Commission 2014d). The Nordic countries were the most negative with 73% opposed,
probably because of fear of welfare level reductions. However, a federal minimum level and a higher national minimum level are not mutually exclusive.

That said, realistically it seems difficult to imagine how any kind of agreement regarding redistribution of funds could be reached. Today most member states are foremost driven by their own national interest, and the way the EU is set up leaves few ways for ideas of a greater European good to achieve large popular support. Alas, national identity still trumps European identity in most cases.

A second way forward is to further develop the EU’s current approach to social issues without any major changes to the constitutional framework. Social competencies would then remain with the member states, and the focus would instead be on fixing current problems and intensifying cooperation.

This second alternative implies a continuing socialisation of the European Semester. The Juncker Commission stated that it is determined to “tie the social into the economic side of our social market economy to balance economic freedoms and social rights fairly” (European Commission 2015c:4). If this vision is to become reality, the EU has to make sure that the implementation of Europe 2020 is not undermined by its economic governance system through strict fiscal discipline and balanced budget rules. The EU has to allow for focus to be shifted from supply-side economics to demand-side economics in order to make room for some social investments. Moreover, the planned relaunch of Europe 2020 should be used as an opportunity to make the strategy more focused on social inclusion as initially intended. One way of doing this is to set common social standards beyond the narrow focus on employment rates and poverty reduction.

OMC also has to be improved, and for this to happen it needs to better take into account the different welfare state models prevailing in Europe. When it comes to improving inclusiveness and efficiency, one relatively easy way forward is to increase the involvement of national stakeholders, most notably national parliaments. It is not only important from the perspective that stakeholders be truly involved in the European Semester; inclusiveness is also related to output legitimacy. At the end of the day, national parliaments are the ones implementing the CSRs. If the MPs have not been able to discuss the political content of the CSRs, lack of compliance is understandable. Thus, it is naïve to expect national stakeholders to support and implement policies where they lack political ownership. To allow more time for scrutiny is one way of increasing inclusiveness. Another would be for the Commission to discuss the CSRs during sessions in national parliaments instead of at various council meetings. A third way is to make national parliaments obliged to discuss the DPBs before they are submitted to the Commission.

This alternative recognises the importance of finding a middle way where the EU has measures to influence national social policy, but where member states keep their sovereignty. The question is if these changes are enough. This alternative is indeed a safe option since few if any radical changes are proposed. Such an alternative may appear boring and toothless. However, in this turbulent time, radical changes and “more EU” might not necessarily be what we need. The EU should arguably fix what is broken in its own institutions before more competencies, especially in such a sensitive area as social policy, can be transferred.
There is an inherent contradiction between unity and differentiation in the EU, as exemplified by how not all member states are part of the eurozone. The current migration crisis illustrates how difficult it can be for member states to agree on a common solution during a pressing time. If we accept this limitation and still want a social EU, one alternative is multi-speed integration. This alternative should not be Europe à la carte, where member states pick and choose from the integration menu (Hvidsten & Hovid 2015). Instead, the common social goals should remain the same for every member state, but the speed of achieving these goals would vary. The core foundations of the EU, such as the internal market, would then still connect the member states choosing to halt integration.

However, a multi-speed alternative is also problematic. The practical implications of a multi-speed EU are vast. The already complex institutional, procedural and legal reality of the EU would become even more complex and would hardly increase the citizens’ understanding of what is going on in the EU bubble. A major danger is also if some member states take a step forward in social integration whilst others consistently lag behind. This could create even bigger social differences within the EU member states and EU regions and undermine the core idea of solidarity. Most importantly, if choosing this alternative, one has to ask what is left of the idea of union.

Despite its problems, a multi-speed EU is realistic and possible within the current framework under the concept of enhanced cooperation (TEU, art. 20). With today’s political climate and diversity within the union, it is likely to become more difficult to reach common agreements on sensitive issues. Enhanced cooperation is perhaps the answer to issues where one size definitely does not fit all member states. Moreover, a step forward in integration through enhanced cooperation would be conditioned upon political approval within each member state, thereby increasing democratic legitimacy in times when euroscepticism flourishes.

In conclusion, three alternative ways to a social EU have been identified. However, the first alternative, political union, is not deemed realistic in today’s setting, leaving the EU and its member states with two future paths. Both alternatives have their pros and cons. The main strength of an improved status quo is that the proposed changes can be executed relatively easily in the near future. Moreover, the EU continues to be a union, unified in its diversity. The main weakness is that this alternative might not be effective enough, since it lacks hard policy tools. Efficiency and flexibility are the main strengths of a multi-speed EU, allowing for some member states to move ahead and create common solutions. Here, the main weakness is that a multi-speed EU might increase and formalise inherent tensions and social differences between member states.

However, we deem that the pros outweigh the cons in both alternatives and therefore recommend the EU and its member states choose one of these two options. Of most importance is not which alternative is chosen, but rather that a way forward is chosen. The EU is standing at a crossroads. It has created a situation where its social ambitions are not being met by corresponding practices and where a quick fix seems distant. Thus, it cannot be highlighted enough that the EU and its member states need to take measures and those measures cannot wait. As has been argued throughout the paper, the EU will be social or it will not be. Otherwise, today’s discrepancy between the EU’s social ambitions and its actual practices might undermine the entire integration project.
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Social Justice is top priority for EU

Dimitris Rapidis
(Founder & Director)

Bridging Europe is a Think Tank based in Athens that carries out research and delivers services by engaging talented thinkers and analysts from a wide range of disciplines and contexts. Bridging Europe puts together unrivalled expertise across a range of European and global issues and disciplines.
The spark of the global financial crisis in 2008 significantly shook the foundations of the European establishment. Spillover from the mortgage crisis took different shapes across the eurozone, affecting the abilities of member states with extant problematic state mechanisms and weak domestic markets to deal with persistent economic instability.

At the current stage, it is impossible to discuss a true political union that could supersede a monetary or banking union and form a federal union with adjusted and centralised powers. The major structural discrepancies preventing such a governance model include: the notion of nation states and the entrenchment of special national interests; the leadership race in the European Union and the relevant centrifugal powers; the debated linkages between monetary policy and national sovereignty; and the decreasing powers of the European Parliament, the only EU body elected by its citizens.

In this respect, and according to Uppsala’s paper entitled “Crossroads”, a multi-speed EU is what will prevail for the foreseeable future. But even this model is constantly challenged. Grexit and Brexit, while both ostensibly having the same aim, are imbued with different meanings. For Greece, Grexit is associated with two major assumptions: first, it is a disastrous option for the country, Greek society and the domestic economy; second, it is a great opportunity for the state and industry to reorganise, expand and get rid of failed austerity politics. For Great Britain, Brexit is mainly driven by balanced analysis which sees the country’s liberal commercial appeal squeezed by a bureaucratic and slow EU model of governance where prospects for growth and prosperity are dwindling. Then comes Portugal, where the four-year rule of conservative powers nourished the name “success story”, referring to the country’s so-called improvement in financial performance. But even in the latter case, a country where discussions on exiting the eurozone never saw the light of day, leftist movements are now ready to pose the very same question to the public should pressure from creditors further increase and distort the minimum safety nets for major social issues like unemployment and poverty.

"Brexit is mainly driven by balanced analysis which sees the country’s liberal commercial appeal squeezed by a bureaucratic and slow EU model of governance."

Therefore, while a multi-speed EU could prove a viable short and medium term model, major problems in the European establishment nevertheless remain untouched. The quest for basic balance in the EU’s social model gets even more complicated as jargon multiplies meanings. The EU’s bureaucratic system is equipped with seemingly unlimited terminology conflicting with itself in practice. As noted in “Crossroads”, most EU social policy tools contribute to the understanding and perception of policy convergence, but there is little evidence of it in reality. In our opinion, the major problem lies in the multiple and overlapping communication channels that EU and domestic actors use to promote certain policy tools or present the benefits of given legislation. The more bodies
and actors involved, the less clear the message arrives to interested parties. A useful first step toward tackling this problem is legislation simplification aimed at general principles, combined with more extensive monitoring of actions from Brussels or local EU offices, restricting the role of national authorities.

"While a multi-speed EU could prove a viable short and medium term model, major problems in the European establishment nevertheless remain untouched."

Considering a coherent social policy model, Horizon 2020 and Erasmus+ offer great opportunities for many organisations to get involved and contribute regionally, address problems in social inclusion and motivate young people. There are many incentives for partners to participate in such programmes; their enhancement of cooperation and convergence has proven one of the most effective tools the EU currently wields. Nonetheless, more programmes must focus on crucial macroeconomic problems, targeting vulnerable groups that suffer from social exclusion, unemployment, poverty and discrimination of any kind. The EU’s most important features are its diversity and the fact that it is one of the most stable, innovative, productive, democratic and safe places in the world. But this is not to be taken for granted, especially under global geostrategic shifts and power politics races in the wider region or even internally.

The refugee crisis poses a huge threat to the social and political model of the EU and the eurozone. Along with short-sighted austerity politics in the European South and severe youth unemployment, the refugee crisis reveals the vast cooperation gaps and policy inconsistencies of the EU and its member states separately. Numerous EU summits have failed to address this topic in an efficient way. Germany has taken the lead and assumed the largest burden among Central and Northern member states, but other big engines of the union such as France, the UK and Poland have proven reluctant to assist efficiently. Greece is doing its best despite restricted state capacities and the lack of sustainable funding and technical assistance, its citizens showing massive solidarity and growing a grassroots movement to assist refugees in every possible respect. But Germany and Greece cannot and should not address the problem alone in a union of 28 member states.

"More programmes must focus on crucial macroeconomic problems, targeting vulnerable groups that suffer from social exclusion, unemployment, poverty and discrimination of any kind."
In addition, youth unemployment still remains a painful story for many member states, especially for those most affected by the financial crisis and continuous fiscal consolidation programmes. Greece, Spain and Portugal have the worst figures in the EU28 since 2010. In the case of both the refugee crisis and youth unemployment, the EU’s social policy model is severely challenged, or perhaps it has even failed entirely.

As correctly pointed out by the Uppsala team, today’s discrepancy between the EU’s social ambitions and its actual practices might undermine the entire integration project. This issue gets even more complicated as the EU enters into a risky and complex geopolitical era. Internal problems and policy failures can be further aggravated as our neighbourhood—from the Balkans to Turkey and the Middle East—enters a vicious circle of religious antagonism and warfare. Under such conditions, the EU is called to further its integration project or else decide once and for all that a common vision is no longer a priority.
EU Asylum Policy in Crisis

EU values in asylum policy

Implement

EU values in asylum policy

Show up the benefits

Topic

Benefits

for refugees do not rise applications

Discuss

Asylum Policy

Policy tools

Case Study

HUNGARY

Central European University

Political issues facing the EU having a clear impact on asylum policy

Use the issue of immigration to reinforce Hungarian national identity

Come to Hungary, we've got jobs in London!

2014: More than 40,000 refugees

Less than 0.1% awarded

Government policy - arrivals and immigrants

Skelet

Italy

Special role

Refugees constructing the EU

Hungary: Government

Stop the Anti-Immigration Resistance

Directives transposed

Activate temporary protection

Accept: EU critics

Europe is dying if we don't get a lot of "new people"

EU needs immigrants

Additional instrument

Appraise

Show off: Hungary's welcome

Programs

Existing programs

for asylum policy

Emphasize

the benefits
Open borders, closed minds: EU asylum policy in crisis

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This paper draws on recent developments in the contemporary European refugee crisis and puts them into perspective against the normative and practical dimensions of the EU’s approach vis-à-vis refugees and asylum seekers. In light of growing concerns over refugee flows to Hungary and governmental policy responses to the situation, we examine how EU values connect with crisis responses in asylum policy and how these responses have been applied in Hungary. First, we evaluate the main EU asylum policy tools including some critical examples of case law from the EU Court of Justice and the European Court of Human Rights. Second, we assess the implementation of these policy tools at the national level, considering transposition of EU directives, reception conditions and asylum procedures, thereby exposing areas of Hungarian policy non-compliance as well as nonconformance with EU values. We conclude with policy recommendations for EU institutions and international and domestic civil society actors.

The European Union is currently facing the largest humanitarian catastrophe since the Second World War. In 2014 Europe emerged as the most dangerous destination for irregular migration in the world and the Mediterranean Sea as the world’s most dangerous border crossing, claiming the lives of 22,000 migrants since 2000 (International Organisation for Migration 2014).

The perilous nature of this sea crossing has led to a rise in alternate migration routes, in particular through the Balkans to Hungary. According to Frontex, the EU border control agency, 7000 migrants and refugees crossed the border between Serbia and Hungary in April 2015 alone, compared to 900 in April 2014. In July 2015 the number of migrants at Europe’s borders surpassed the 100,000 mark in a single month, the highest ever recorded by Frontex. The recent surge in asylum seekers has unfortunately made Hungary a rich case study for assessing the effectiveness of asylum policies in Europe. Shifting from a country of emigration to immigration, Hungary is in second place behind Sweden for the most asylum applicants per capita among EU countries (Human Rights Watch 2015).

After analysing the role that fundamental rights play in framing EU asylum policy, this report will detail the evolution of EU asylum policy tools. By focusing on the political situation and the asylum framework of Hungary, this report shows how piecemeal development and implementation of EU asylum policy contradicts the underlying message expressed by the ruling party in Hungary. It concludes with policy recommendations at the EU and national levels.

**EU VALUES AND FUNDAMENTAL RIGHTS: AN OVERVIEW**

Respect for human dignity and human rights is enshrined in the EU constitutional framework (Treaty on European Union, art. 2), which allegedly provides for one of the most advanced systems of human rights protection in the world (Rosas & Armati 2012: 168). EU institutions and member states must comply with fundamental rights when adopting, applying and implementing EU policies and laws (Craig & de Búrca 2011: 382–84).

Asylum policy clearly falls within the scope of application of EU law, given the harmonisation of member state policies and the establishment of the Common European
Asylum System (CEAS). From a legal point of view, there is no way to legitimise noncompliance with EU values in asylum policy. Thus, the implementation of the right to asylum and asylum policies is a test case for the EU’s commitment to human rights (Askola 2015). So far, the EU has been inward-looking in its policy designs, more concerned with security within its borders than providing human rights guarantees.

"Policymakers ignore human rights objectives, favouring instead other policy goals such as reducing the number of irregular migrants into the EU."

The next section will demonstrate that EU asylum policies fail to meet these requirements. Policymakers ignore human rights objectives, favouring instead other policy goals such as reducing the number of irregular migrants into the EU. Fundamental inconsistencies arise that—combined with external factors—result in the tragic loss of lives.

EU ASYLUM POLICY TOOLS: CEAS, PRIMARY DIRECTIVES, AND THE DUBLIN REGULATION

The right to seek asylum was originally enshrined in the 1951 Geneva Convention of which all EU member states are signatories. The procedures, conditions and qualifications for asylum seekers differed across member states until the establishment of CEAS in 1999, which harmonised existing national asylum procedures and coordinated the handling of asylum applications.

The negotiation phase of EU asylum policies reveals the adverse consequences of “bargaining” between member states. While the Commission usually proposes more refugee-friendly provisions, the member states in the Council more often than not reject these proposals and lower their standards.

There are inconsistencies between connected policies, such as asylum and migration, which undermine the protection of asylum seekers. CEAS aims to grant “appropriate status to any third-country national requiring international protection and ensuring compliance with the principle of nonrefoulement” (Treaty on the Functioning of the European Union, art. 78). The goal of the common immigration and borders policy when protecting the borders from illegal migration runs counter to the humanitarian objective of CEAS. Asylum seekers by necessity take risks to enter the EU, as asylum is most easily sought once they have entered a member state.

Further, there are five major EU instruments associated with CEAS: four directives that harmonise treatment of and rules for asylum within member states and one regulation that provides rules establishing which country is responsible for the process.

The reception conditions directive, the procedures directive and the qualification directive form the basis of EU asylum policy. These three directives arguably have the
closest links with EU fundamental rights, as they establish minimum protections for those seeking asylum (Council directive 2003).

The procedures directive establishes minimum standards for granting refugee status to asylum seekers. The directive forbids the detention of asylum seekers and provides the right of appeal (Council directive 2005).

The qualification directive establishes common ground across EU member states for granting asylum or refugee status—the persecution or the threat of serious harm for reasons of race, religion, nationality or membership in certain social groups (Council directive 2011). New versions of the reception conditions directive and the procedures directive came into force in July 2015—it is yet unclear how they will affect asylum procedures.

Finally, under the Dublin regulation, the member state where the asylum seeker first entered the EU is normally responsible for processing their asylum claim. This regulation has come under frequent criticism as it puts unfair pressure on peripheral states already coping with poor infrastructure and institutions.

Fundamental challenges to the implementation of EU asylum law instruments, in particular Dublin II and III and the reception conditions directive, have been heard before the highest European courts. Both the EU Court of Justice and the European Court of Human Rights ruled that an asylum seeker in a CEAS member state cannot be transferred to another member state where he or she may face a “real risk to be subjected to ill-treatment” (Mink 2012:123).

Although CEAS was put in place to harmonise asylum procedures across the EU, this has not occurred in practice. The creation of minimum standards has led to a race to the bottom, resulting in lowered standards in the hope of dissuading refugees from applying for asylum in a given country. Minimum standards have not been achieved in some countries, with a key principle of the EU—the presumption of compliance with EU law—undermined as a result.

**ASSESSING HUNGARIAN ASYLUM POLICY DURING THE MIGRATION CRISIS**

Asylum seekers have increased substantially over the last decade and exponentially over the past two years, from 2157 in 2012 to 42,777 in 2014 (Office of Immigration and Nationality 2015). At the heart of the western Balkan migration route, the Hungarian-Serbian border became the third largest entry point into the EU in the winter of 2015.

"80% of asylum seekers leave Hungary within ten days of requesting asylum, mostly for Western European countries."

However, according to the Hungarian National Office of Immigration and Nationality (OIN), 80% of asylum seekers leave Hungary within ten days of requesting asylum, mostly for Western European countries (Hungarian Helsinki Committee 2015).
Better economic prospects lure migrants to the West, but migrants are also deterred by detention policies, strict asylum claim assessment and difficult integration into Hungarian society. Less than 0.001% of refugee applications were accepted in 2014 (Eurostat 2015).

The following section outlines the current dangerous political context of Hungary and the contradictions within Hungary’s legislative and policy framework, illustrating how the legal transposition of EU directives cannot be construed as adherence to the spirit of the law.

Ongoing political developments in Hungary reveal a disregard for the fundamental principles of human rights.

The growing influx of migrants makes asylum seekers ideal scapegoats for nationalist political mobilisation. The immigration debate in Hungary has turned into an attack on the European Union, identified by Hungarian Prime Minister Viktor Orbán as a “delusion of a multicultural society” that Hungary must abolish “before it turns Hungary into a refugee camp” (Orbán 2015). Orbán has been one of the harshest critics of the EU proposal to distribute asylum seekers amongst member states on the basis of a quota system. In May 2015 Hungary further announced that it would suspend acceptance of any transfers through the Dublin regulation. Although Hungary retracted the suspension the next day, the Hungarian Interior Ministry justified it by arguing that “any asylum seeker coming from Syria or Afghanistan filing an application in Hungary must have crossed the borders of at least four states, likewise illegally, before submitting
his or her application to the Hungarian immigration authority” (Office of Immigration and Nationality 2015). In June 2015 Orbán further inflamed the situation by announcing that Hungary would build a four-meter-high fence on the border with Serbia to keep out illegal migrants (AFP 2015). The wall was completed in September 2015, but partially dismantled again by October 2015.

In the spring of 2015, new legislation was proposed at the national level, more stringent than the applicable European rules. In violation of EU law, the new legislation would enable Hungary to:

1. immediately detain all irregular migrants, including asylum seekers;
2. immediately deport irregular migrants, including asylum seekers considered economic migrants;
3. accelerate asylum procedures so that a final decision could be taken within a few days; and
4. oblige irregular migrants and asylum seekers to work while in Hungary in order to “earn their keep” (Hungarian Helsinki Committee 2015).

The Orbán administration has sought to find public support for these changes, sparking controversy by launching a national consultation linking migration to terrorism (Migszol 2015). This paralleled a governmental billboard campaign around Budapest in June 2015, stating: “If you come to Hungary, don’t take Hungarian jobs!”

The response from Brussels lays bare deep divisions within the European Union, but may also expose the ineffectiveness of rule of law in the EU (Traynor 2015). Vice President of the European Commission Frans Timmermans has criticised Orbán’s anti-immigrant and anti-refugee rhetoric, warning that “if Hungary does not abide by the constitution of the European Union, the European Commission will not hesitate to use sanctions that are at its disposal” (Free Hungary 2015). Yet, infringement procedures are lengthy and a financial sanction unlikely. As it stands, it is impossible to determine how far the Hungarian government will go and how this will affect those seeking asylum in Hungary.

Examining the institutional and legal framework for asylum seekers within Hungary paints a relatively good picture. Most of the directives discussed above have been transposed into law. Institutionally, the OIN attends to asylum applications, assesses the Dublin transfer provisions to other EU states and determines the ultimate refugee status of applicants (Asylum Information Database 2015).

The Hungarian national legal framework pertinent to asylum procedures includes recent modifications to harmonise it with EU level directives. The directives associated with CEAS have been transposed into the Asylum Act at the national level to varying degrees (Asylum Information Database 2015).

The Dublin regulation, which determines the state responsible for examining asylum applications, has been fully adopted by Hungary—recently, however, the Hungarian government has threatened to suspend its application.

With other EU directives, however, results have been a mixed bag. The 2011 qualification directive was fully transposed into Hungarian legislation in 2013. The 2001
temporary protection directive was implemented along with the qualification directive, though optional provisions have not been transposed. Hungary notably has not transposed most of the reception conditions directive, choosing instead in 2013 to only transpose portions related to detention. The procedures directive, passed in 2005 to create minimum standards for accessing asylum procedures, has yet to be adopted by Hungary, but the country is far from being the only EU state yet to harmonise.

The current general adherence to EU directives has come about slowly. Following widespread mandatory detention and poor conditions for applicants outlined in a damning 2012 report by the UN refugee agency UNHCR, the European Commission initiated infringement proceedings against Hungary in 2012. As a result, Hungary introduced changes in 2013 that brought the above framework into effect and resolved issues with applicants returned under the Dublin regulation (European Parliament 2014).

The problematic lack of transposition of asylum procedures and incomplete transposition of the reception conditions directives are currently the focus of new amendments by the Hungarian government. The UNHCR noted its concern about the “lengthy period for automatic judicial review of detention, the lack of judicial remedy against a detention order, the detention of families with children and unaccompanied/separated children” (UNHCR 2015).

**APPLYING FOR ASYLUM IN HUNGARY: AN OVERVIEW**

Under the current legal framework, the OIN handles all asylum procedures by collecting biometric data and fingerprints. If the Dublin regulation does not apply and Hungary is indeed the first country accessed by the applicant, the OIN begins assessing the admissibility of the asylum claim. The average length of the initial procedure by OIN and the appeals phase through the judiciary is 5–12 months (Asylum Information Database 2015).

Officially, asylum applicants are entitled to housing, food and a subsistence allowance while their case is being processed. Following the 2013 incorporation of portions of the reception conditions directive, Hungary has opened five open reception centres and two homes for unaccompanied children in Hungary of varying quality. In stark contrast to the reception conditions directive, the current asylum system is not equipped to handle people with special needs such as unaccompanied minors. Another controversial element of Hungarian asylum policy is the widespread detention of asylum seekers, frequently for a period of up to six months. When last measured in April 2014, over 40% of adult male applicants were detained (Hungarian Helsinki Committee 2014). The Council of Europe human rights commissioner visited Hungary in 2014 and decried the extensive use of detention for asylum seekers, recalling that “these persons are not criminals and should not be treated as such” (Muižnieks 2014).

The Hungarian migration system in its current state is unable to cope with large numbers of people arriving, yet 2016 is likely to bring even more migrants. Temporary tent camps have been set up and emergency solutions devised, but the current situation is untenable at best. Additionally, though Hungary has harmonised most elements of its asylum policy with EU directives on paper, the implementation gap is significant.
In particular, the improper application of elements of the Dublin regulation as well as the failure to integrate all of the procedures directive and much of the reception conditions directive illustrate the unwillingness of Hungarian authorities to competently deal with asylum seekers in a respectful and legal manner. Other long-standing problems, including the illegal detention of asylum seekers, seem unlikely to be resolved in the current political climate.

The anti-immigrant rhetoric of the Hungarian government continued during the summer months. Hungary rejected the proposal on refugee quotas twice, in June and September. At home, the government proposed extending its anti-immigrant campaigns to neighbouring, non-EU member states (Radio Free Europe 2015) and introduced a controversial package of legal changes in response to the crisis. New criminal law measures against immigration were introduced under which illegal border crossing can be penalised with one to four years of imprisonment (Smale & Bilefsky 2015), raising concerns over compliance with international human rights law. Housing or helping people crossing the border has also been criminalised with penalties of up to four years imprisonment. To stop the flow of asylum seekers, Hungary further introduced accelerated asylum procedures directly at the border (maximum ten days) and made Serbia a third safe country, directly contradicting a ruling of the Hungarian Supreme Court in 2012.

The government’s most prominent initiative revolved around “materializing Fortress Europe” via external border fence building. The Serbian border has been completed and Orbán has announced plans to do the same along the Croatian border. Apart from the apparent inefficiency of the fence (Kingsley 2015), it creates the potential for escalated violence against refugees in the name of border control, already evidenced by police use of teargas and water cannons against people wanting to enter the EU (Weaver & Siddique 2015). As of September 21st, 2015, the Hungarian parliament further widened the competencies of its armed forces along the borders by allowing for the use of “nonlethal weapons” like teargas, rubber bullets and signal rockets (AFP 2015).

One of the most important episodes of Hungary’s crisis response was the situation at Keleti railway station in Budapest where hundreds of refugees were stranded for several days or even weeks in grim conditions in July and August 2015 (Graham-Harrison 2015). Critics argue that if these refugees had been registered in one of the refugee camps, this would not have happened; that said, the conditions in these camps are not demonstrably much better. The government failed to respond to this crisis happening in the midst of its capital. At its peak, it refused UNHCR entrance to the country to provide much needed humanitarian aid. Once the situation had escalated and thousands of refugees marched through Hungary towards the Austrian border, Hungary finally provided buses and trains on a mass scale, taking refugees directly to the Austrian border. This was an initiative for which the government, repeatedly arguing it is only enforcing EU law, had no legal mandate. In the end, a humanitarian catastrophe in the middle of Budapest and along Hungary’s borders was avoided only through the dedicated effort of a large number of grassroots movements, activists and citizens providing much needed aid, which has yet to be acknowledged by the government.
In conclusion, we recommend that the EU institutions accede to the ECHR, which is in the interest of both higher standards of protection of fundamental rights and also the elimination of the conflict between those rights and actual EU policies which has now led to a race to the bottom in EU human rights protection. Further, the EU must be stricter on post-accession conditionality, including the implementation of stricter requirements of compliance with EU values. Finally, the EU must redraft the Dublin regulation to include burden-sharing, ensuring equal involvement of all member states in asylum policy.

For international and domestic civil society actors, we recommend actively countering the government’s anti-immigration rhetoric, an action which puts pressure on both the EU and Hungary to enforce legal asylum procedures. As watchdogs, they should launch an investigation into the Hungarian government’s recent xenophobic billboard campaign. Finally, these actors should be included in a nationwide consultation through the Hungarian Equal Treatment Authority, the body responsible for identifying and rectifying cases of discrimination and racism.

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A beast breaking loose: the Hungarian asylum system at its worst

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Hungarian Helsinki Committee (HHC) is a human rights NGO founded in 1989. It monitors the enforcement in Hungary of human rights enshrined in international human rights instruments, provides legal defense to victims of human rights abuses by state authorities and informs the public about rights violations.
The authors of this well-researched and thought-provoking paper had a complicated task in analysing the Hungarian asylum system, because it was completely overhauled by the Hungarian legislature in August and September 2015. The authors could not have anticipated the most recent asylum system changes now rendering Hungary an unsafe country for the vast majority of asylum seekers. Some of the proposed regulations cited in the paper came into being: for example, crossing the fence at the Serbian-Hungarian border became a crime, and those doing so have been punished by detention and deportation to Serbia. This deportation is made possible by the Hungarian asylum authorities’ unparalleled stance that Serbia is a safe third country for asylum seekers. The same strategy is ruthlessly applied by the authorities, no matter whence asylum seekers enter the country.

The paper suggests that piecemeal implementation of the EU’s asylum-related directives and improper application of the Dublin regulation leads to unwillingness by the Hungarian authorities to deal with asylum seekers in a respectful and legal manner. We would instead suggest that the main source of human rights violations against asylum seekers originates in EU law itself. Therefore, it would be more accurate to argue that the source of the problem lies not in the implementation and application of these regulations, but rather EU laws which violate asylum seekers’ rights to liberty and treatment with dignity. It is precisely the reception conditions directive which makes it possible for member states to detain first time asylum seekers. Detention itself is likely to further deteriorate the mental health of these oft traumatised people. We must conclude that detention of asylum seekers is inhumane treatment contradicting the EU’s self-proclaimed values. Further, we cannot forget that any systematically stigmatising measure taken against asylum seekers indirectly stigmatises many EU residents with a migrant background. This fact too emphasises that EU asylum law fails to protect the human rights and dignity of everyone on its territory (not only its citizens).

The paper justly confronts the EU’s inhumane immigration and border protection policies. However, the authors should have emphasised the EU’s primary focus on ever closer economic union. This focus is the origin of other values also propagated by the EU, e.g. strict financial discipline. Thus, it appears that the Hungarian government’s disciplined financial policy is more important to the EU than Hungary’s serious and systematic violation of the rights of asylum seekers.

The paper rightly emphasises that “fundamental inconsistencies arise that—combined with external factors—result in the tragic loss of lives”, because there can be no excuse for the refugees left to die on the EU’s borders. We cannot forget however, that besides the violation of the right to life, other serious human rights violations are a daily reality for even greater numbers of people who have fled their countries. These rights are referred to by the European Court of Human Rights (ECtHR) as “core rights”, e.g. the right to liberty and safety (consider asylum seekers unlawfully detained in Hungary) and the prohibition of inhumane and degrading treatment and punishment (consider those being deported to Serbia, where the asylum system no longer respects the basic human rights of asylum seekers). The importance of these massive human rights violations must again be underlined.
The authors argue that the European system of human rights protection is one of the most advanced in the world. In fact, it could be much more advanced. Even though the ECtHR does have a priority policy leading to faster adjudication of urgent and massive human rights violations, the asylum applicants who argued that their detention in the Hungarian asylum system was unlawful had to wait up to three years for the court’s decision. Furthermore, by the time the ECtHR decided in their cases, the applicable Hungarian regulations had already been replaced by newer ones, in practice no more lawful than prior legislation. First, two Ivorian asylum seekers applied to the court in February 2010, and in September 2011 the court held that they were unlawfully detained. The Hungarian law on detaining asylum seekers changed; in response, then, three Somali asylum seekers applied to the court in September 2012, which ruled over three years later that their detention once again violated their right to liberty. Once more, the Hungarian law on detention of asylum seekers had changed in the meantime; and for the third time, new applicants have already petitioned the Strasbourg court, arguing this detention policy violates their human rights. Considering that the ECtHR’s decisions were unable to stop the Hungarian authorities from repeatedly violating the right to liberty, we conclude that the European system of human rights protection must be improved. While the recommended accession to the ECHR is a great first step, accession alone will not solve these problems. Rather, the court must follow its own priority policy much more rigorously. According to this policy, if the applicant’s right to liberty is likely to be violated—especially if this person is still detained at the time the application is submitted to the court (rendering the application urgent)—and if the case represents many potential applicants due to systematic rights violations, the court should decide in a much more timely manner. Given that Hungary has been detaining and continues to detain many asylum seekers likely to be further traumatised by detention, these cases fulfil every essential criterion and should be given first priority by the ECtHR.

Relatedly, the ECtHR should be better equipped to prevent member states from passing new regulations which also violate human rights, albeit differently.

The paper rightly argues that “there are inconsistencies between connected policies, such as asylum and migration, which undermine the protection of asylum seekers”. One of the best examples of the absurdity of the discrepancy between the common European asylum policy and the common European immigration policy can be seen in the law on refugee family reunification. While refugees have the right to be reunified with their family members, this right is compromised by the EU’s directive on family reunification. This directive in effect treats family members of recognised refugees as ordinary migrants given they are typically unable to apply for reunification within the short, three-month deadline from the day that refugee status was granted. The precarious situation of these family members, having typically lost the sole caretaker of the family, is not taken into account. The law discriminates despite the fact that were they reunited, they would hold the same status as their host family member.

Recommendations to the EU institutions should therefore start with a ban on detention of first time asylum seekers. Avoiding activation of the temporary protection directive would also be a necessary improvement, considering this directive grants people
in need of protection too short a status and limits their rights far beyond the qualifications directive. Further, promotion of some of the regulations of the main asylum-related directives should lead to a more humane asylum system (Art. 31, 7(a) of the procedures directive gives the right to member states to prioritise examination of asylum cases likely to be well-founded).

The authors should have considered a role for the European Asylum Support Office (EASO), which “helps member states fulfil their European and international obligations to give protection to people in need” (“What is EASO” 2015). EASO could, for instance, create guidelines for the member states’ immigration authorities on streamlining decisions on various asylum applications. In one example, young Syrian men who do not want to join the Syrian army are granted full refugee status in many states, whereas the Hungarian Office of Immigration and Nationality only grants them subsidiary protection. Having been granted only subsidiary protection, it is practically impossible for these Syrian men to reunite with their families due to extremely strict Hungarian regulations on family reunification for people with this status. It is, however, in Europe’s interest that asylum seekers facing similar persecution in their countries of origin are protected with similar statuses granting them similar rights across the EU.

The authors’ recommendation that the EU be stricter on post-accession conditionality is a very interesting one and could have been explained more fully. Further, a short analysis of whether financial or political sanctions would set Hungary’s government on a more humane path would have been especially salient in light of the fence Hungary has since built on its Serbian and Croatian borders. This fence is the strongest symbol of Hungary’s lack of solidarity with these candidate countries and its fellow EU member states.

The authors benignly recommend the Hungarian government should consult with local authorities on resettlement of refugees from closed camps. This request could prove naive given the present government’s hostile attitude towards migrants and refugees.

International and domestic NGOs already act as watchdogs, so recommending they contest the government’s xenophobic billboard campaign is a rather more useful idea.

Finally, there should have been recommendations for European states under the Dublin regulation. Prior to an ECtHR ruling halting Dublin transfers to Hungary, the asylum authorities and courts of these countries have a very important role in deciding whether they consider Hungary safe for asylum seekers or whether Dublin transfers to the country should be suspended. These national authorities can put greater political pressure on the Hungarian government, thus perhaps achieving positive change more quickly or successfully than the EU.

REFERENCES

...Understand Causes to understand challenges, that lie ahead...

An Economic Explanation of Why a Divided Europe Cannot Overcome the Crisis

United we stand, Divided we fall

Approaches
Questions
Ideas

Fiscal Union

Will this become a reality?

Towards a Banking Union

Difficulties:
- Some spending are purely national
- Moral hazard

European Central Bank

Bank cannot pay the debts of other EU countries
- No constitutional mandate
- Moral hazard
- But giving help

United we stand; Divided we fall

Two-Dimensional

between states ↔ within state

Impact on Inequality

Europe at a turning point

Rising inequality across different European countries

Dramatic decline in living standard

Not enough money, not enough

But you have this government's promise...

Perpetual debt

Inflation

Lost of trust
Consequence: Loss of trust in banks

No trust

Half of global trade

Bank losses due to mortgages

House prices have fallen

Immediate market reaction

Bank runs

Global trade

Bailout for banks

Kemptenhausen, 2nd Aug 2015

Bocconi University
United we stand, divided we fall: an economic explanation of why a divided Europe cannot overcome the crisis

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Europe is at a turning point. The crisis that hit it had significant adverse economic, social and political consequences. However, after almost a decade, many European countries are still struggling to recover. As a consequence, a sentiment of mistrust towards the European institutions, held responsible for not providing a definitive answer to the crisis, is arising among many European citizens. The goal of this work is to explain the reasons that lie behind the current economic and political situation, and eventually to propose an effective way to resolve the crisis. We will argue that it is only through an intensification of the integration process that Europe can exit the deadlock it has reached in recent years and face the future challenges.

For seven years now, the word “crisis” has constantly been at the centre of our everyday lives. When did it start? What has been done so far? Why haven’t we overcome it yet? Our aim is to answer these questions and to explain why Europe is today at a turning point from an economic, social and political perspective.

**BREACHING THE SYSTEM: AN OUTLINE OF THE FINANCIAL CRISIS**

First of all, it is worth explaining briefly how the financial crisis originated in the United States and then spread to Europe. Prior to 2005, a prolonged period of low interest rates made investments in real estate much more attractive than financial products: households could take out a mortgage at a low interest rate and purchase a house, the value of which was expected to rise almost indefinitely. Investment banks and financial institutions began to purchase these mortgages and consolidate them into financial instruments known as collateralized debt obligations (CDOs). However, as the demand for this kind of investment increased, banks began to grant mortgages to riskier individuals at worse terms, the well-known subprime mortgages.

When in 2005 the US Federal Reserve started raising interest rates, the cost of taking out a mortgage increased. Simultaneously, the rising number of defaults on residential mortgages caused excess supply on the housing market. As a consequence, house prices plummeted and the bubble exploded. Investment banks and financial intermediaries holding considerable numbers of defaulting CDOs stopped trading with one another and began hoarding cash because of the lack of information on the quality of CDOs. This contraction in the interbank market and the collapse of balance sheet asset values of several banks resulted first in a liquidity crisis and eventually in a solvency crisis.

**FROM FINANCIAL CRISIS TO SOVEREIGN DEBT CRISIS: EMERGENCY MEASURES AND AUSTERITY POLICIES**

As the European banking system is the biggest in the world (51% of world bank assets in 2008), it was not exempt from purchasing CDOs and derivatives and Europe could not avoid being affected. As a consequence, both the European Central Bank (ECB) and the national governments intervened in this emergency situation.
The ECB, in coordination with other non-European central banks, implemented monetary stimulus accounting for a greater than 3% decrease in interest rates. The aim was increasing liquidity in the financial system, in order to respond to the halt of the interbank market.

The governments tried to break the chain of negative events in two ways: first, through the implementation of fiscal stimulus (lower taxes and increased public spending) to boost the real economy (namely the part of the economy that is concerned with actually producing goods and services, as opposed to that concerned with trading on financial markets) and limit contagion; second, through the rescue of the banking system using instruments such as recapitalisations, loans and deposit guarantee.

However, this second operation was problematic since the last twenty years have seen an enlargement in the scale of European banks that went well beyond national borders. Thus, in the absence of a central fiscal policy, each state was forced to refinance banks which were formally national but European in size.

The situation just described generated a peculiar link between the banking system and national sovereign debts, the so-called negative feedback loop (European Commission 2011), which de facto transformed the financial crisis into a sovereign debt one:

1. The debt/GDP ratio rises as a consequence of the previously described fiscal policies (↑ debt) and of the recession caused by the crisis (↓ GDP). The perception of risk of public debt unsustainability increases. This in turn has a negative impact on the banking system itself, since each bank’s balance sheet bears a substantial share of sovereign bonds losing value.
2. In order to recover their financial stability, banks are forced to deleverage their assets and/or increase interest rates on loans. This makes it more difficult for households and firms to access credit (credit crunch), which in turn exacerbates negative effects on the real economy.
3. The further reduction in GDP clearly impacts the debt/GDP indicator, thus self-reinforcing the crisis. Hence, the situation deteriorates even more and the loop starts again.

In addition, the excessive scale of current account deficits (which are a measurement of a country’s international trade where the value of imported goods and services exceeds the value of exports) in Europe’s periphery during the pre-crisis period contributed to the severity of the economic contraction through a sudden stop in capital flows and damaged banking systems as well as sovereign creditworthiness (Belkin et al. 2012).

From late 2009 on, fears of sovereign defaults grew publicly while government debt of several states was downgraded. The crisis first hit Greece, Ireland and Portugal, while raising concerns about Italy and Spain as well.

“Member states were finally aware that solidarity was an inescapable step to recovery.”
What measures were introduced in order to break the loop and manage the renewed emergency? In brief, member states were finally aware that solidarity was an inescapable step to recovery. Therefore, from early 2010 they contributed to huge funds (European System of Financial Supervision, European Stability Mechanism) in order to support the most affected countries, while the ECB started unprecedented monetary operations in order to alleviate their financial burden. What is the flip side of the coin? This increased solidarity between countries came together with greater national fiscal commitments, the so-called austerity measures (e.g. Fiscal Compact, European Semester).

IMPACT ON THE REAL ECONOMY: UNEMPLOYMENT, POVERTY AND INEQUALITY

What were the main consequences on the real economy? Today, the social and economic condition of the eurozone is still depressed and fragile, as shown by key macroeconomic indicators: growth did not exceed 0.8% in 2014 after two consecutive years of recession, remaining below its pre-crisis level and far from its potential; especially in poorer states, growth rates have declined more than in relatively richer ones.

As a consequence, unemployment skyrocketed: there is a profound divide between some countries dramatically facing unprecedented levels of unemployment and others remaining relatively unaffected, with the worst conditions prevailing for Greeks and Spaniards under the age of 25 (unemployment rates reached peaks above 55% for this category).

In addition, inequality and the risk of poverty increased significantly. As far as the former is concerned, if one considers the EU28 level, the Gini coefficient, which is the most commonly used measure of income disparity (it ranges between 0 and 1, with higher levels denoting increasing inequality) shows a very high level of inequality (though not so different from the US) which increases slightly from 2009 onwards. However, such a high value is mainly driven by the relatively poorer Eastern European countries which recently joined the EU (the level of inequality diminishes when restricting the analysis only to eurozone members). Still, a rising trend in the global level of inequality exists and cannot be ignored. The risk of poverty, measured by the at-risk-of-poverty (AROP) composite indicator (i.e. the share of people whose income is below the AROP threshold, set by the EU at 60% of the national median disposable income) has risen significantly, especially in most southern and eastern European countries.

THE EUROSCEPTIC UNION

Rising inequality and the call for austerity policies led to one of the most threatening drawbacks of the crisis for Europe as a whole, namely the upsurge of frustration and discontent towards the euro that resulted in the creation of eurosceptic and anti-austerity movements (The Economist 2014).

These political movements are present in almost all European countries, gaining consensus without the need for any clear ideology while seizing upon heartfelt issues and proposing populist, often unfeasible solutions (Kassam 2014). They all share the grievance that Brussels is dictating people’s lives and their views on European issues. The European Parliament (EP),
until now a bastion of European federalism, is becoming a centre for all sorts of anti-Euro-
peans, with anti-establishment parties controlling nearly one third of the seats. For once, after
the last elections, European leaders seemed to agree: the union must change, and fast.

**SHOULD WE EXIT EU'S ECONOMIC AND MONETARY UNION (EMU)?**

First of all, what are the main claims these movements share on European issues? For
simplicity we focus on two Italian parties (the Five Star Movement and Lega Nord),
which we find representative of the family of anti-austerity movements.

1. Exit EMU now;
2. Stop the European integration process;
3. Abolish the Fiscal Compact;
4. Give countries sovereignty on defence, foreign politics, fiscal issues, fundamental
   rights and any other issues at their discretion, but
5. Give more power to the EP;
6. Yes to Eurobonds.

In spite of the lack of internal coherence of their proposals, these two movements agree
on the fact that Italy should exit EMU. Why? The benefits of going back to pre-euro national
 currencies are not always explained clearly, but they usually contain the following points:

1. Monetary sovereignty would enable depreciation of currencies following an in-
   crease in competitiveness;
2. National central banks would gain back control of monetary policy and they could
   print money when necessary or convenient;
3. Converting public debt into a new national depreciated currency would lighten the
   burden of that public debt;
4. Monetary sovereignty would allow monetisation of public debts, i.e. the process
   of “reducing” debts by making national central banks buy government bonds and
   issue new money.

And what about the costs, if any? Reading the programmes of these movements
there seem to be no costs. Entering the eurozone was a big mistake. Can this be true?

**THE UNCERTAIN BENEFITS OF EXITING EMU**

First, there are two main effects associated with depreciation of national currencies. To be-
gin, such an operation would increase foreign demand for domestic goods, since they would
be relatively more inexpensive for other nations. Secondly, a decline in the value of a state’s
currency would imply a relative increase in the prices of foreign goods. This oft-hidden effect
would reduce the advantages of competitive depreciations (Deo 2011). There are three main
facts making the alleged benefits of competitive depreciation so uncertain:
1. For businesses and companies, the costs of imports would increase. The result is likely to create inflation and increase costs for businesses;

2. Inflation would disproportionately affect the poorest elements of the population. The only way for national central banks to counterbalance it would be to increase the interest rate, thereby causing a slowdown in investment and growth;

3. It is true that the immediate net effect of this depreciation is likely to be positive. However, to maintain these positive effects in the medium or long run, other depreciations would necessarily follow. It is highly unlikely that this strategy would be tolerated by other countries, marking the end of the single market. In terms of depreciation, European countries cannot compete with low-wage countries like India or China.

We believe that the advocates of competitive depreciation do not account for the fact that the economy has deeply changed in the last thirty years. If depreciation was effective into the 1980s, it is not as effective in a globalised world. International commerce is deeply integrated now, and it is hard to find products made entirely in a single country. As a consequence, there may be almost no effects for a country’s depreciation in the first place.

What about the effects of regained monetary sovereignty on the sustainability of public debt?

1. Debt monetisation has at least two drawbacks. First, the emission of new money may exert inflationary pressures. Second, and more importantly, it would create problems in holding the governments responsible for their public debts.

2. The effect of converting public debt in the new national currencies might be positive in theory. Yet, to the extent that this operation is not always possible, the national debt burden would actually increase. In fact, part of it would still be in euros, and it would respond to the depreciation of the national currency as if it were denominated in a foreign one: that is to say it would be relatively more costly. For the same reason, this problem would affect all subjects (companies and banks) with outstanding international debts.

Overall, we conclude there does not seem to be any certain benefit from a potential EMU exit.

Even if it is not possible to estimate the costs of an EMU exit with certainty, it is indisputable (though often neglected by anti-euro movements) that costs have to be taken into account.

To give a sense of the negative effects of departure, we would like to summarise the major analyses on Grexit.

Economists estimate the eurozone, which has already shrunk by a quarter since the crisis started, would contract by another 10% in the first year after Greece’s exit from EMU (Mchugh 2015). Panic would spread between account holders leading to a bank run, as in June 2015.

The new drachma would plunge by 50% or more against the euro as the Greek Central Bank issues money to keep banks going. That would mean imports such as pharmaceuticals,
cars and oil would skyrocket in price. In addition, Greek companies owing money to suppliers in euros would suddenly find those bills too big to be paid, forcing some into bankruptcy.

For the eurozone as a whole the costs would be the following: since Greece would most likely find it impossible to repay its bailout loans, the resulting losses would be spread to taxpayers in the other 18 countries. The richer countries would then be even more determined not to share finances with other eurozone members in the future. Finally, the eurozone would suffer from contraction in trade.

Fortunately, despite a month (July 2015) of deep uncertainty on the future of Greece, an agreement on a new bailout for the country was reached, forgoing Grexit for now.

EUROPE AT A TURNING POINT:
WHAT ARE THE CHALLENGES THAT LIE AHEAD?

Exiting EMU, as we have just argued, does not seem a feasible option at all, yet at this turning point, Europe is calling for change. In order to understand how to proceed, we will set aside the facts and instead focus on two articles from the Treaty on European Union (Maastricht Treaty), art. 123 and 125. What clearly emerges from these is the following: on the one hand, the ECB cannot finance a member state’s public debt by directly purchasing its government bonds; on the other hand, national governments or any institution of the EU should not be liable for another member state’s debt.

These normative constraints, together with the link previously described between banks and sovereign debts, form what has been called New Impossible Trinity (Pisani-Ferry 2012), according to which it is not sustainable for Europe to have the following three characteristics simultaneously (Figure 1):

1. Absence of coresponsibility between member states for each other’s public debt;
2. Impossibility of ECB monetarily financing member state debt;
3. Strong link between sovereign debts and the banking system.

Figure 1: The new impossible trinity (Pisani-Ferry 2012)
Let us explain the way the three elements are connected with one another. Whereas the eurozone is integrated from the monetary side and has a unified capital market, banking systems are still formally national. States, rather than the banking system itself, are the only entities responsible for rescuing banks in the absence of a financial union. As a consequence, states are highly vulnerable to the cost of banking crises, especially when they are home to banks with significant cross-border activities. Thus, if a banking crisis occurs, some states’ sovereign debt would explode, and since there is no fiscal union (i.e. no entity liable for another state’s debt because of the “no bailout clause” previously discussed), the risk of default increases. Could the ECB intervene as a lender of last resort for a failing state? According to the Maastricht Treaty, art.123, the answer is negative. There we are, stuck in an impasse.

FIRST SIDE: THE ECB AS A LENDER OF LAST RESORT

In September 2012 the ECB announced the Outright Monetary Transactions programme (OMT), a tool making the bank closer than ever to a “lender of last resort”. Why is the announcement of this programme such an important achievement? There are three main reasons:

1. It is a programme through which the ECB can finance almost directly member state public debt, with no ex ante quantitative limits on the size of the transactions, i.e. the bank could give as much help as needed to states in great difficulty;
2. It has been approved by the Court of Justice, meaning that the ECB has obtained the mandate to activate the programme whenever necessary;
3. Because of the way it is designed, it alleviates the problem of a country acting irresponsibly knowing that the other member states would intervene to help (i.e. moral hazard).

Thus, even though it has not been used yet, the mere existence of such a programme has turned the ECB into what strongly resembles a potential lender of last resort (i.e. a body that can directly help a country out of a self-reinforcing debt crisis). This allows us to almost solve the issue from one side.

SECOND SIDE: TOWARDS A BANKING UNION

How should we deal with the link between the banking system and the European economy? In order to avoid future banking crises, it is inevitably important to improve the stability of the banking system and its supervision. Huge steps have already been made in untying the knot binding sovereign debt to banks. Briefly, the benefits of a banking union can be listed as follows (European Commission 2014):

1. Banks will be stronger and more immune to shocks: common regulation (Basel III) will ensure effective enforcement of stronger prudential requirements;
2. Failing banks will be resolved without taxpayer money: the single resolution mechanism (SRM) states that banks will be financed by their shareholders and creditors first, and in only worst cases will bank losses be covered by an ad hoc resolution fund financed by banks;

3. Banks will no longer be “European in life but national in death”: they will be supervised, and any failure will be managed by a truly European single supervision mechanism (SSM).

What are the political implications of this reform? One possibility is that the EU will be able to mobilise common resources for the protection of bodies operating across borders, thus implicitly authorising partial transfers between states (Altomonte & Sonno 2014).

THIRD SIDE: IS FISCAL (AND POLITICAL) UNION POSSIBLE?

As mentioned above, each member state has agreed, through the Fiscal Compact, to take the necessary actions and measures to contribute further to the sustainability of public finances and reinforce financial stability. In addition, through the European Semester, the European Commission analyses the fiscal and structural reform policies of every member state, provides recommendations and monitors their implementation. The major achievement of these programmes is that each state has agreed to delegate part of its national sovereignty to the EU institutions by letting them participate in decision-making processes that before the crisis were considered solely national. Yet, some states are finding it difficult to carry out the structural reforms necessary for restoring pre-crisis welfare levels.

Then how do we further foster the process of fiscal integration? One option could be to merge all resources each state can dispose of, increasing the small EU budget and creating a federal one. This would certainly constitute a non-negligible critical mass that would amplify the efficacy of common policies.

"The fiscal union is a factor that we believe necessary for the resolution of the crisis, but this will only happen through a common political view and a further transfer of sovereignty."

The main tool to amplify this critical mass is the so-called Eurobond, an issuance of common debt borne by the European institutions whose shared guarantee would be the assets of individual states. Actually, instruments very close to the Eurobond are already being issued, through the emission of ESM bonds backed by common capital (i.e. capital raised from all countries); in addition, according to the recent Five Presidents report (Junker et al. 2015), the EU institutions are considering the creation of an EU treasury.
What is the current political obstacle? Pooling resources, in favour of better spending, implies the presence of a veto of other member states on policies that are traditionally considered national (e.g. healthcare systems or pensions). Still, the fiscal union is a factor that we believe necessary for the resolution of the crisis, but this will only happen through a common political view and a further transfer of sovereignty.

The economic and social model that the European Union has chosen is mainly based on growth and solidarity. Neither of these factors can exist without the other: in fact, if the two elements are not combined together, Europe will not regain the wealth and well-being it knew before the current crisis. Thus, fostering economic growth through the measures described so far is a necessary step which must be addressed through greater solidarity. The answers can only be political, and we must find them in a European context.

Europe must keep in mind its motto “united in diversity”, making it a reality and turning it into an action of economic policy. This means valuing the differences that exist within and between each culture and within common economic visions and policy. It is only through the recognition of differences joined in a single, coherent political plan that individual European countries can hope to thrive in tomorrow’s world.

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It's the "big finance" that caused the crises!

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New Economics Foundation (NEF) is the UK's leading think tank promoting social, economic and environmental justice. Its aim is to transform the economy so that it works for people and the planet. NEF is fully independent of any political party, relies on donations and help from our thousands of supporters to effect social change.
We are now approaching seven years since the financial crisis of 2008, yet the eurozone remains mired in economic woe. Unemployment, in particular youth unemployment, remains stubbornly high whilst inflation is dangerously low. Bank lending to firms and business investment remain tepid, despite the European Central Bank’s €1.1 trillion quantitative easing programme further stifling interest rates (Bryant & Jones 2015).

This essay by students at the University of Bocconi traces the origins of Europe’s current problems and the response by political and institutional actors, arguing that the way forward lies in greater economic and political integration.

The authors are right to point to a number of paradoxes at the heart of the eurozone project holding back recovery. Most obviously, the eurozone experiment had demonstrated the difficulty of having a monetary union whilst attempting to hold on to fiscal sovereignty. Relatedly, a financial system where nation states are responsible for both regulating and rescuing banks operating internationally is flawed. The paper accurately describes how the growth of excessive leverage by such banks led ultimately to the crisis, which consequently resulted in European states running up large public deficits in order to both bail out these banks and fund a welfare funding expansion in response to rising unemployment.

The authors argue that by having an EU-wide banking union with greater fiscal integration (and ultimately fiscal union), these kinds of problems can be reconciled. They suggest such a solution will be more effective for a given EU country than leaving the eurozone and returning to a national currency. They dismiss political movements pursuing such a goal as “populist” and peddling “unfeasible solutions”.

What the paper fails to do is consider the fundamental causes of the crisis in the first place. It states, “Prior to 2005, a prolonged period of low interest rates made investments in real estate much more attractive than financial products”. But credit creation (bank lending) for domestic and commercial real estate has been increasing as a proportion of total bank lending in most advanced economies since the mid-1980s (Jorda et al. 2014; Turner 2015). Further on, the paper suggests that the reason European banks became involved in purchasing subprime mortgage-backed securities was that the European bank sector is the “biggest in the world”. This is not a causal explanation—simply a correlation.

An alternative explanation for the cause of the crisis is that it was a failure of financial regulation. Deregulation of the financial system led it to engage in speculative, risky and “socially useless” activity that did not support sustainable and productive growth (The Telegraph 2009). This approach is of course difficult to reconcile with mainstream economics which has at its heart the notion of the efficiency of markets. But, as many eminent economists have now admitted, mainstream economics entirely failed to predict the crisis precisely because it was oblivious to the build-up of excessive leverage in the financial system (Stiglitz 2011; Turner 2015).

The solutions proposed by the authors seem based on the assumption that it is inevitable we will have “European banks ... well beyond national borders” with assets vastly larger than those of the nation states where they are headquartered. If this is assumed, then it is easy to make the argument that such banks should be subject to Europe-wide
or even international forms of regulation. But one can also argue that banks too big—or too complex—to fail are themselves the real problem, not how they are regulated. So, for example, splitting the retail or investment activities of megabanks, splitting very large banks into smaller, real economy-focused regional banks or having public banks, such as the German *Sparkassen* model, might be a way of reducing financial risk whilst maintaining sovereign control over finance (New Economics Foundation 2013, 2015).

Some of the eurosceptic movements dismissed by the authors are pressing for such a reform of “big finance”. They have argued that devolving further power from sovereign control to technocratic bodies unaccountable to the European people such as the ECB is a step in the wrong direction. The authors would do well to note that attempts at harmonising bank regulation at an international level—via the Basel regulations—have not led to greater financial stability. Rather, banking and currency crises have increased in frequency.

Relatedly, the authors also fail to question the political logic of the austerity programmes the EU has undergone. These programmes essentially punished debtor periphery countries (Portugal, Spain, Ireland, Italy, Greece) whilst supporting the interests of creditor countries in Northern Europe. But there is a strong argument, particularly when using the term “solidarity”, that both creditor and debtor countries bear strong responsibility for ensuring recovery was achieved in a socially just manner. There were and are many alternatives to austerity—creditors could have taken much larger haircuts, the ECB could have taken toxic debts off the balance sheets of vulnerable banks (as the US Federal Reserve did with Fannie Mae and Freddie Mac) and richer countries could have undertaken much larger fiscal expansion or allowed wage appreciation.

With regard to the arguments presented against countries leaving the European Union, there are also some problems. The authors focus on the potentially damaging impact of consumer price inflation that might result from a devaluation. However, one could easily argue that the greatest danger facing Europe at the present time is deflation. When Europe faced a similar situation of very high public and private debts and high unemployment following WWII, the policy of keeping interest rates low whilst allowing inflation to rise was key to steadily reducing such debts and enabling rapid levels of growth (Reinhart & Sbrancia 2011). The same argument applies to debt monetisation—when demand is suppressed, banks are not lending and debts are very high, monetisation of deficits may be an effective tool (Bernanke 2003; Ryan-Collins 2015).

There are of course arguments for and against all of these alternative proposals. By neglecting to examine them, however, one is left with a rather unbalanced perspective. It may well be the perspective shared by many mainstream economists and financial and political elites of the European Union, but it is one that is being increasingly challenged by those outside this small minority.
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EUTH and EUification: dynamism, drama and development

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This article examines the role of youth—students and young professionals—in the European Union. The crippling financial crisis confronting this generation renders its position in the EU job market particularly precarious. This article analyses the opportunities for student and young professional mobility through structural and infrastructural programmes offered by EU bodies and European cities. Mobility is a critical factor: a symbol of agency and emancipation, it is the necessary key for EU youth to reinvent a dynamic union in which they can thrive.

Growing nationalist demands and a persistent financial crisis continue to destabilise unity within the European Union and its 28 member states. The European Union’s political and economic cohesion has suffered a severe blow. Changing political, economic and social trends have diminished unity between the cultures and traditions once serving as a basis for the EU’s shared identity. More importantly, the younger European generations now facing these pressing issues are disinterested in the political and economic future of the EU. Often cast aside in major social debates and excluded from political hierarchies, European youth are left on the margins of the EU’s reconstruction at this moment of financial, political and cultural crisis. It is time for the EU to unify its youth, and, in turn, for European youth to regain faith in the EU.

In this paper, we will argue for ways in which the EU can be more appealing to its younger residents so they will want to stay and contribute to the economic and political success of their home countries and the EU as a whole. Though youth is a fluid category rather than a strict age group, we will adopt UNESCO’s definition of youth as “a period of transition from the dependence of childhood to adulthood’s independence and awareness of our interdependence as members of a community”, typically ranging from ages 15 to 24. Our paper also discusses the importance of augmenting mobility across the EU in order to improve youth futures and prevent social decay. We interpret mobility as more than merely physical displacement, agreeing with the European Commission’s definition of “creating structures and changing values to allow movement of institutions, people and resources in a way that accelerates the transition to an innovative Europe” (Aho 2006). This definition acknowledges mobility as a broad aspirational movement facilitating intergenerational, occupational and socioeconomic dynamism.

“There must be opportunities for greater education and mobility for the youth within the EU.”

Overall, there must be opportunities for greater education and mobility for the youth within the EU. We will explore how the talents and creativity of young EU citizens could be better utilised and discuss the benefits of existing EU programmes that emphasise cultural and linguistic exchanges. We will then offer suggestions for the improvement of the programmes, including a component that would encourage professional cultural exchanges and mobility opportunities for the EU youth. Finally, we will present the case study of a creative city and EU programmes that focus on promoting youth employment through innovation. We believe that these solutions will help the future stability and youth appeal of the EU.
PUBLIC EDUCATION REFORM FOR SOCIETAL TRANSFORMATION

As Europe faces a turning point, a discussion on education reform is crucial. After all, education shapes the way we think and our ability to cope with greater societal challenges. The right reforms could allow future generations to approach crises not only with more advanced skills and a willingness to innovate, but also with more open minds and a greater capacity to empathise. Our specific proposals place a focus on bolstering European integration, increasing mobility and improving socioeconomic equality within the EU youth population.

Firstly, we propose the creation of an EU-wide high school course on European integration, taught in all high schools throughout EU member states in a harmonised fashion. The course would include study materials offered by the EU, which would include a diversity of opinions from different member states, while also focusing on intercultural training, European values, minority rights and diversity. Students would also be offered an opportunity for an excursion to EU-related institutions. The course would aim to foster greater transnational solidarity and increase political engagement among youth on the European level.

"55% of German and French students support the implementation of a common EU baccalaureate."

In addition to the EU integration course, we propose an EU-wide baccalaureate. A survey conducted in April 2013 showed that 55% of German and French students support the implementation of a common EU baccalaureate (TerraEuropa 2014:18). This is not an entirely new concept; in fact, the European baccalaureate is currently administered as an exit exam in the European school system, a group of 14 multilingual schools geared toward the children of European institution officials. In 2014 a total of 25,385 pupils attended such schools, 78% of whom are EU officials’ children and are exempt from school fees (Board of governors of the European schools 2014). European school pupils may use the European baccalaureate to apply to any university in an EU member state on the same terms as a national of that member state with equivalent qualifications (Board of governors of the European schools 1994). This system, however, is only accessible to a small and elite population. Such a baccalaureate, if administered to all EU youth, could enhance both education- and career-based mobility opportunities.

In addition to furthering mobility, education reform can also help to instil important values in EU youth. Following the January 2015 terror attacks in Paris, a report by the European Commission asserts the responsibility of public education to create open-minded human beings, to prevent “marginalisation, intolerance, racism and radicalisation” and to combat inequalities that can “lead to despair and create a fertile ground for extremism” (European Council 2015). The European integration course and baccalaureate can help fulfil these goals by emphasising human dignity, multicultural understanding
and other fundamental values, thus giving rise to more empathy among EU youth. The curriculum would also combat unhealthy nationalism by presenting European history through a European-wide rather than nationally skewed perspective.

Moreover, efforts are necessary in order to address socioeconomic determinism of students’ success. This is especially important considering 12.7% of students in Europe drop out before completing high school (European Commission 2013:8) and education systems within the EU range greatly in effectiveness. According to the OECD’s Programme for International Student Assessment (PISA) 2012 results, the French system, for example, ranks 60th out of 65 in terms of equity in education opportunities, meaning that it is comparatively hard to overcome socioeconomic handicaps (OECD 2012:3). Meanwhile, other countries, notably Finland, rank at the top of the list both in terms of student performance and equity. This gap between member states should be closed for a more unified Europe in which one’s country of origin does not affect his or her chances to obtain a robust education.

EDUCATION AND MOBILITY:
OVERVIEW AND OPPORTUNITIES FOR EXPANSION

Inextricably linked to the social and economic issues that the EU faces are insufficient mobility and human capital development, particularly among youth. The paramount importance of mobility goes back to the EU’s foundational documents; indeed, the EU’s community acquis dedicates its first four chapters to outlining the primary liberties integral to the idea and ideal of the EU: the free movement of goods, persons, services and capital. Yet Europe has failed to live up to its promise: taking just one measure as a representative example, annual worker mobility between EU member states is pitifully under 1% each year—just a fraction of the rates seen across Australian territories and US states (IZA 2008). The results of this stillborn geographic, economic and ideational mobility are manifest, both in enduring economic disparities and societal discord and estrangement currently wreaking havoc upon the EU. Immobility in turn propels far-right xenophobic and eurosceptic movements across the continent. In the face of such geographic, economic and social stagnation, enhanced mobility thus provides an essential solution to ensuring the EU’s continued integration on social and economic levels alike.

Accordingly, we believe educational exchange provides a vital means to increase mobility among EU youth. Certain programmes like the Erasmus programme take promising steps to this end; however, robust mobility is still far from being realised, and problems arise even within that programme. In some studies, over 50% of participating students faced significant financial difficulties due to insufficient grant monies, while lack of full credit transfer led to a lengthening of students’ anticipated studies—an outcome with particularly pernicious effects on lower-income students. Perhaps most seriously, European Commission statistics indicate that flows of students are disproportionately skewed, resulting in a situation in which students move from lower-GDP, predominantly Eastern European countries towards higher-GDP Western European countries (Čelebič 2007). This worrying result may presage future intra-EU brain drains and further
economic and sociopolitical marginalisation of the periphery. Finally, programmes are only beginning to offer opportunities for students not pursuing formal academic education. More work needs to be done to promote integration and exchange among youth pursuing artistic careers and technical and vocational training.

"Flows of students are disproportionately skewed, resulting in a situation in which students move from lower-GDP, predominantly Eastern European countries."

One sign of progress is the creation of Erasmus+, an expansion of the original Erasmus programme, designed to run between 2014–20 and fostering exchanges in education, training, and sport. The expansion of exchange to less traditional arenas such as vocational training and sports-based initiatives is a promising philosophical shift towards a more comprehensive exchange regime. However, care must be taken that the execution of Erasmus+ is as inclusive and successful as its ideological ambit. While Erasmus+ is relatively new, research on funding insufficiencies, imbalanced population flows and institutional harmonisation failures revealed in previous programmatic iterations have hampered past attempts to achieve mobility and integration through exchange.

As Erasmus+ proceeds, the cautionary tales of past programmatic deficiencies provide a series of concrete checks against which the programme must be analysed in order to ensure its effective functioning. Erasmus+ must be rigorously evaluated on an ongoing basis to ensure that financial stipends are sufficient to cover participant expenses incurred on programme, especially for participants of little means or those belonging to socially marginalised classes; that transnational intra-EU exchanges are comprehensive and nationally equalised, avoiding an imbalanced and socially pernicious flow of participants from the periphery to the centre; and that participating European institutions enter into agreements with Erasmus+ facilitating easy transfer of academic credits such that participants are enabled to freely go on exchange without fear of interruption in their studies or training. Finally, looking past Erasmus+’s 2020 end date, further steps to augment exchange-oriented pathways to enhanced mobility are appropriate. Other opportunities for increased reach include an arts-oriented exchange programme—an area heretofore neglected by Erasmus+—as well as better-defined procedures to foster and evaluate programmatic success in promoting equity and inclusion among diverse European groups.

EDUCATION:
CAREER AND ENTREPRENEURSHIP ORIENTATION

Although the European Commission has acted to implement and enforce strategies fostering youth development programmes in each of the member states separately, it leaves career development programmes’ potential as a vehicle for European integration
largely untapped. An alternative approach to fostering employability and entrepreneurship among European youth would focus not only on programmes within each member state, but also on a larger scale, contributing to the development of a European collective identity as European students from various regions live and work together.

One programme proposal for European integration via career and entrepreneurship development among European youth might be inspired by the structure of Erasmus+, which could be expanded or replicated to improve the sustainability and pragmatism of youth exchange programmes by implementing a career-oriented shift to these projects. Rather than focusing only on language and culture, we hope to encourage such programmes to expand their horizons, potentially creating a separate branch dedicated to career discovery, development and placement. Perhaps in conjunction with the career-oriented aspect of youth exchange programmes or in a separate branch devoted exclusively to research opportunities and scholarship, European integration programmes could move to institutionalise EU-wide opportunities to spark innovation. Sample ideas include European-wide hackathons in which each team must be composed of members from at least three EU member states and similar EU-wide competitions for STEM and energy.

More concretely, an expanded Erasmus+ programme may feature a new branch of the initiative that deals with professional exchanges, taking the form of EU-wide networking events, internship exchanges and apprenticeships by field of study or professional interest. The Erasmus website could then be revamped to feature various exchange options including cultural and educational exchange programmes and accommodations, but also offering a career development menu which European students and young professionals could access to view opportunities potentially relevant to their interests. An institute for political science research focused on a certain region of the world, for example, could host research colloquia for students across Europe, posting a simple application to the extended Erasmus internet portal. The creation of such a web portal would allow for the development of a crowd-sourced programme that may be seen as an extension of Erasmus’ original purpose and vision. While younger students continue to glean valuable knowledge and experience from cultural and educational exchange programmes throughout the EU, older students preparing to enter the professional world may continue to use the same networks and connections to launch themselves into careers in countries in which they once studied or to which were otherwise of interest.

Furthermore, the impact of such career-related opportunities for young adults throughout Europe could be supplemented through the development of an accompanying homestay initiative that would make youth exchange programmes more affordable. Young EU citizens interested in registering and participating in this career exchange initiative could also be given the option of opening up their homes to host incoming students and professionals when opportunities happen to open up in their hometown, eliminating or greatly reducing the cost of housing for the incoming student for the duration of their programme.

In order to truly develop their perception of the EU as a collection of neighbour states rather than simply member states, it is necessary to think further down the line than cultural and educational exchange, but also to remember that integration, and
even professional and political partnerships, begin with interactions between individuals. Therefore, it is clear that the current state of programmes for EU youth is one that will benefit immensely from an expansionary initiative integrating the EU employment realm, while making these programmes more affordable.

**MOBILISING EUTH IN CREATIVE CITIES**

In light of these proposals towards academic and professional development of the EU youth, it is necessary to examine the physical contexts of the union in which this population might thrive and establish long-term careers. The city is a dense, multicultural and dynamic hub. Recently educated youth or young professionals rely heavily on implemented infrastructures within the urban landscape to exercise their full duties and obligations as citizens. However, the European Commission database records a youth unemployment rate of 21.7% in 2014, more than twice as high as the adult unemployment rate (9.0%). Consequently, it becomes crucial to reintegrate youth in their native city habitat by providing outlets for new and innovative professions. Let us examine two different programmes that strive to reinvigorate city life while encouraging EU youth to concentrate movement in their local urban environment as they transition into diverse careers.

"It becomes crucial to reintegrate youth in their native city habitat by providing outlets for new and innovative professions."

The European Capital of Culture is a programme launched in 1985 with the purpose of reinforcing cultural and creative industries (CCI) within EU cities. As such, culture can be articulated as an integral part of EU integration, fostering urban regeneration through the promotion of creative endeavours. Mons, Belgium and Plzeň, Czech Republic are 2015’s incumbent cultural capitals. The case of Mons is particularly compelling; the city is home to three universities and one music conservatory and was once the heart of Belgium’s industrial valley. Upon graduation, students often leave the small city for Brussels or other EU capitals, seeking greater professional opportunities in more dynamic environments. Severely affected by the EU financial crisis, Mons utilised its cultural capital nomination to reinvent itself. The Mons 2015 initiative spearheading infrastructural changes in the cultural capital has decided to reverse the youth exodus by honing its CCI initiatives. Mons has established an active hub of its own, at the intersection of technology and culture, named the Creative Valley, sponsored in part by Microsoft. Technocité, for example, is a professional development centre in the Creative Valley specifically for tech-related jobs and start-ups, allowing recent graduates to reorient or specialise their university studies. The Creative Valley thus becomes attractive for EU youth eager to construct a network of connections while engaging in interdisciplinary and innovative projects in the tech industry. This initiative diversifies Mons’ economy and further grants the cultural capital the title of “creative city”. The hope is to
increase the concentration of young professionals within the city of Mons by providing new and compelling infrastructures in which to work and live.

Furthermore, the European summit of creative industries (ECIS) was held in Brussels on May 11, 2015. During this colloquium, European Commissioner for Education, Culture, Youth and Sport Tibor Navracsics made the case for the preservation of EU talent within member states. In addition, the ECIS featured nine of the 14 members of the European Creative Business Network (ECBN), an organisation that facilitates intra-EU business collaborations. During the ECIS, the ECBN presented a draft of its 2015 policy manifesto, highlighting the importance of opportunities given to young entrepreneurs. Similar to the European Cultural Capitals programme, the ECBN seeks to catalyse growth in the urban setting, as well as on a regional and international level. The ECBN is also a partner of the EXCITE project under Erasmus for Young Entrepreneurs, an initiative that funds professional exchanges and enterprises for EU youth. This programme fosters long-term synergies between the academic and professional lives of EU youth, thus providing a framework in which the target population can grow. As such, culture, media and technology become vehicles for territorial attractiveness, incentivising EU youth to stay in the union. Mons and the ECBN network are successful case studies of programmes that should be sustained and supported by the EU Commission, as they encourage EU students and young professionals to reengage with their urban environment through their work and newly acquired cultural practices.

"The EU has reached an impasse with its financial and political troubles, and it has become clear that its greatest hope for change and recovery lies with its youth."

The EU has reached an impasse with its financial and political troubles, and it has become clear that its greatest hope for change and recovery lies with its youth. In order to lead the EU to a greater future, the youth of each European country must actively work together for innovative change. In this paper, we have argued for public education reform that promotes creativity and equality in the classroom and highlights cultural integration programmes, such as language learning and cultural immersion programmes. These educational changes might also help students realise greater potential in youth employment through entrepreneurship and professional cultural exchanges. We have also argued for infrastructural systems and programmes that can make European cities friendlier and more compelling professionally to the EU’s younger residents. Furthermore, these alterations would allow for greater youth mobility throughout the EU.

The EU has recently faced excessive instability, and the youngest residents of the member states have become disillusioned and disinterested in the union’s future as a result. We believe the proposals we have offered in this paper can lead the EU to a more secure and appealing future. The changes we have proposed will revitalise a destabilised EU, thanks to the dynamism and commitment of the reenergised youth.
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EUth and EUnification: dynamism, drama and development through transnational solidarity

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European Alternatives is a transnational civil society organisation and citizen movement promoting democracy, equality, and culture beyond the nation state. We believe that the most urgent political, cultural and social challenges can no longer be dealt with at the national level and that existing forms of technocratic global and European governance are neither democratic, just, nor fair.
“EUth and EUnification” presents a clear picture of select issues within EU programmes and policies, the challenges facing EU youth and changes to address these issues. The authors express faith in the existing EU framework and draw a hopeful picture of youth (re)gaining faith in the EU. The paper proposes interesting ideas to revamp existing policies and practices such as the Erasmus+ programme or the EU-wide rollout of functioning models such as the European Baccalaureate.

Missing, however, was emphasis on the contradiction existing in the European Union, whereby the youth in most countries face increasing economic difficulties, is politically disenchanted with the EU and often doesn’t vote, yet at the same time they feel increasingly European and tend to support the EU at higher levels than older generations.

Additional focus could also have been given to extragovernmental/EU solidarity between EU youth, which is not necessarily related to EU programming but which could be better supported through EU funding. Examples include collaboration between young political party activists from Spanish Podemos, Greek Syriza and the Scottish National Party. All three parties successfully mobilised younger voters and have relatively young leading representatives. The question remains whether this will translate into greater attention to youth policies; nevertheless, these parties have managed to incentivise bottom-up formation of local party youth groups across Europe, arguably contributing to EU-wide solidarity.

"These parties have managed to incentivise bottom-up formation of local party youth groups across Europe, arguably contributing to EU-wide solidarity."

The authors write that “the younger European generations now facing these pressing issues are disinterested in the political and economic future of the EU”. It is important to note here the ways in which young Europeans are also being left behind by the EU—since the onset of the financial crisis, youth in Europe have faced extremely high unemployment rates yet to be addressed (Eurostat 2015), while at the same time available work has become more precarious (McKay et al. 2012). EU schemes like the Youth Guarantee have not been rolled out in all EU member states; Germany and the UK are notable exceptions (European Commission, Employment, Social Affairs and Inclusion). Despite these problems, in some EU countries support for the EU is highest amongst younger people (Wells 2015).

The idea of an EU-wide high school course on European integration is an interesting suggestion and one that we are also exploring through our own Citizen Rights project. That said, it may not be necessary as all EU countries already have citizenship education as part of their high school curricula. Although this differs widely from member state to member state (Bundeszentrale für politische Bildung 2012), education about the EU must play a key part. Here it may also be worth exploring whether school exchange
programmes usually undertaken through language classes could be integrated into the proposed course.

With regards to worker mobility, working in another EU country often requires speaking a second language, meaning that mobility is more closely linked to language education than in comparative economies such as the US or Australia.

"Education about the EU must play a key part."

While the comments on the Erasmus programme are quite valid, the latest statistics (2012–13) do not bear out the east-west Erasmus divide—in fact, the largest number came from Spain (perhaps due to the financial crisis), followed by France, Germany and Italy, while the highest share in terms of student population came from Luxembourg (European Commission 2015).

Overall the comments on addressing the issues of social background in the Erasmus and Erasmus+ programmes are well founded and appreciated. An additional idea for increasing youth mobility and contributing to greater understanding was launched this summer by two young Europeans: every European youth receives a free, one-month Interrail pass to explore Europe (Herr & Speer 2015).

When talking of youth development programmes, it may be worth considering the role European Employment Services (EURES) plays and could play in this—many of the topics proposed as possibilities for Erasmus+ are to some extent already performed by this agency, although its recognisability among youth in the EU may not be high.

Creative cities demand further examination of existing initiatives and the roles they could play with an increased youth focus. Of particular interest are EU regional development and social funds, as well as funds regularly provided to cities through Commission programmes such as the partnership for smart cities.

UNIVERSAL BASIC INCOME AS A NEW IMPETUS?

Finally, we would like the authors to consider broader horizons and solutions, such as an initiative on universal basic income that could greatly benefit young people for whom enough jobs are neither being created nor may ever be created, considering increasing automation across the labour market. Universal basic income could lead to new forms of innovation and even entrepreneurship which do not require immediate translation into employability parameters or profitability plans. Society could be reimagined from the bottom up, as a utopia about which more and more youths feel increasingly passionate.

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Rethinking Europe from the bottom up: beyond the institutional approach

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Citizens For Europe (CFE) is an internationally active non-profit and non-governmental organisation that seeks a more participatory and inclusive European Union. CFE uses participatory approaches, non-formal education techniques, and media in order to bring together diverse stakeholders and foster collective intelligence to develop creative and innovative solutions in the area of citizenship, migration, political participation and representation.
At the Allianz Summer Academy 2015, the participants exchanged ideas around the topic “Europe at a turning point: economic crisis, social disintegration, political change”.

In their papers, the students explore the most pressing issues and challenges that have been shaking up the European Union in the past few years, analysing the possible causes and trying to propose and develop potential solutions.

More specifically, this publication focuses on the current financial and economic crisis, increasing youth unemployment, social exclusion and poverty. The authors also mention fragmentation, the escalating threat of euroscepticism, the alienation between the European Union and its citizens and the democratic deficit of the European institutions. Last but not least, an issue that could not be avoided when talking about the current critical juncture, is the arrival of more than a million of refugees and the difficulty of finding a common response to deal with the large number of asylum seekers.

Several interesting points are raised, notably in regards to possible ways to tackle the most pressing challenges.

What emerges from the articles is a strong desire for more integration. Several authors claim that the European Union should be more than just a sum of national interests: “it is only through an intensification of the integration process that Europe can exit the deadlock it has reached in recent years and face the future challenges” (United we stand, divided we fall: an economic explanation of why a divided Europe cannot overcome the crisis).

Economic, financial, political and social integration is thus seen as the only way forward. In this sense, the students suggest concrete measures aiming at developing a socially-oriented Europe and at fostering mobility and socio-economic equality within the European youth (for example, the creation of EU-wide high school courses on European integration and of an EU-wide baccalaureate).

Some ask for an empowerment of European citizens through the creation of transnational direct democracy tools, which in their opinion could reconcile the people with the European project. Others rightly draw attention to the urgent need for a more humane approach to the EU asylum policy, shifting the focus onto human rights rather than on security, border control and the number of undocumented migrants.

**QUESTIONING THE BALANCE OF POWER**

Nevertheless, these papers fail to consider a crucial question: who really holds the power in Europe?

As a matter of fact, the students underestimate the existing balance of power within the European Union and its actual impact, as well as its lack of democratic legitimation, that casts aside the voices of millions of citizens all over Europe and feeds euroscepticism.

The economic and financial crisis and the subsequent need to save the common currency and the financial sector provoked a shift in the balance of power from the European institutions to the Eurogroup. This informal supranational decision-making body led by the Northern European creditor countries (notably Germany) imposed austerity measures on the already depressed debtor countries in Southern Europe, defending the interests of a small ruling minority.
This brings us to our second comment: what seems to emerge from the article is that the students never really question the legitimacy of the austerity programmes.

Although they recognise the negative effects of those measures on the population and on the European Union as a whole, they do not seem to imagine any possible alternative solutions to austerity, and thus accept the neoliberal system as it is.

THE RISE OF CIVIL SOCIETY MOVEMENTS

The only time the authors take into consideration the existence of anti-austerity movements, they seem to dismiss them as merely eurosceptic.

And yet, one of the effects of the economic crisis was the rise of civil society movements which, far from rejecting the European project, are simply reclaiming a more democratic society.

These citizens and activists, for the most part members of the younger generations, do not turn their backs on Europe but rather strive to re-shift the balance of power and propose alternative solutions to the cuts.

One example is the call to all organisations and movements sharing the motto “Oxi! Basta! Enough!—Build another Europe!” to join the European marches in October 2015. This anti-austerity campaign brought together grassroots organisations and social movements such as Blockupy and ATTAC as well as refugee and feminist groups, saying “NO to austerity policies, poverty, TTIP, racism and corruption and YES to solidarity beyond borders”.

The economic crisis, and later on the refugee crisis, led to an urgent need for active solidarity, which stimulated volunteering in NGOs and solidarity actions. As the publication *Austerity and the Third Sector in Greece: Civil Society at the European Level* claims, “volunteering may play a role in the psychological as well as economical survival strategies for individuals who have been affected by the crisis” (ed. Professor Asteris Huliaras, Dr Dimitri A. Sotiropoulos, Dr Jennifer Clarke 2015).

In a way, civil society is taking over to fill in the gaps in the institutional response, also through the political statements of intellectuals and experts who drew attention to the irrationality of the EU and national governments’ responses to the crisis.

Therefore, this bottom-up dynamic is a crucial factor: it energises the debate, and represents an attempt to rethink a system that has been showing its failures.

On the contrary, the young authors follow an institutional and top-down approach, which does not deliver an ambitious and inspirational vision for the future of Europe, a future that these young academics will help to design.

The dialogue with civil society actors and activists that they started in this publication will hopefully enrich their perspectives and initiate a bottom-up process to re-build Europe.
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