



# WORLD ECONOMIC CRISIS and the Destiny of EU

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In recent months there has been a controversy of opinions regarding the next stage of the financial and economic crisis — has the recovery began, what is the colour of the light at the end of the tunnel — or is the recession still continuing and the next stage of the crisis — at least for the countries of the “golden billion” will be deflation and further decline in production.

Conspicuously, those, who earn their living with pessimistic forecasts about the future of Europe and euro (gladly published by magazines and publishing houses) not without delight denounce if not disintegration, but a profound crisis of the European Union.

Is the crisis capable of breaking up the EU — if yes — under what circumstances? Anyway, what does it mean “to break up the EU”?

Will the “domino” principle be at work if the default threat moves from Greece to other European countries and further to the North to Ireland and England?

First of all, are the financial measures undertaken going to be efficient enough especially for the “new” EU-members? Will the barrier redoubts trillion Euros wide withstand?

In our view the stabilization funds of the EU have to be efficient enough because otherwise it would mean a closure of the common market of goods, information, services, labour, migration, the re-establishment of customs on the European roads; there would be a lot of local closed markets, which as a result could render countries vulnerable and uncompetitive.

We anticipate confrontations: cheap products from South-East Asia, migration from Asian, African and Latin America countries will anyway override everybody. However, a strong, economically, organizationally, politically and technologically united Europe is much harder to beat.

Obviously, the robustness of big ultra-bureaucratic, clumsy organizations with very slow reactions works not only in favour of the United Europe. But on the other hand, it is difficult for 27 countries to come to a unilateral decision; united European governments are having a hard time; however it is still quicker and in the end more sensible than working separately and in spite to the neighbours.

The intra European division of labour has been brewing for centuries. Scandinavian fishermen, Italian weavers, Spanish shepherds, German mechanic engineers, French winemakers... In today's circumstances everything is a subject to a rapid change dashed by Asian producers, successfully adopting European and American technologies. Starting from the 1970-s many European countries — such

as UK — have lost their traditional industries — shipbuilding, aircraft and car industry, metallurgy, coal-mining, petrochemistry. They have mastered new industries non-existent until now — information technologies (also sent for realization to Asia), innovation, high-tech healthcare, financial services, fashion, film and showbiz industry, sports, tourism along with education, culture and science. It seemed that in the new world of globalization this will secure a decent place for Europe for many years to come. The crisis, having destroyed the established way of life, proves this to be a wrong assumption. Economic, financial, social, demographic disequilibrium, intercultural and interreligious confrontations — all of this leads to dire consequences, however, a united Europe is capable of overcoming them, but a disintegrated one is not.

The new evolving inter-country and trans-regional labour division leads to a shift in business success rates in advanced and developing countries.

The countries that cannot become leaders of technological, information or cultural innovations at best turn into “service” countries, and the ones that fall outside these lists become outcasts.

In the course of any crisis, i.e. persistent disruption of the established exchange procedures - controversies and phobias inevitably emerge from the depths of the public conscience that are dormant there during the periods of stability and growth. Crisis is like the Thames during low tide — so much comes to the surface that we would prefer to turn away.

At the present we are witnessing such a development.

Financial and political problems in Greece of the recent months gave rise to a wave of dissatisfaction and emergence of new critics of the EU, inert and almost marginal until now. (Timothy Garton Ash)

We would like to remind that the creation, long and scrupulous construction of the European Union became possible only after the horrendous World Wars that unfolded in Europe in 1914, 1939 and which swept off tens of millions of Europeans. The price of European unity turned out to be very high.

After the First World War one of the economic policies involved in recovery was opening of unprecedented credit facilities for general population. Later that was one of the factors that led to 1929 financial crash and Second World War followed partially brought on by the aftershock of that crisis.

Now there are less and less people who have witnessed the tragedy of Europe of the first half of the XX century, therefore there are less and less people today who remember the reasons why the EU was founded, what was driving the people, who were establishing it in tough post-war times (W.Churchill, J.Mone, L.Erhard, K. Adenauer etc.).

A large part of the contemporary EU population has no memories of the fact that this Union has been established not only in order to tackle the post-war economic problems of Europe, but first of all to prevent new continent conflicts from happening, to close the door for any types of totalitarianism in Europe. Hence, to avert the reappearance of extermination camps, walls similar to the Berlin wall on the territory of the modern Europe, suppressed the opposition of military pacts like NATO and the Warsaw Pact.

Jeanle Goff writes:

“It took ten centuries for the medieval West to make the choice between two alternatives: closed economy or open economy, rural life or urbanization, in one communal citadel or in separate independent houses”. (p. 13)

Coming back to the fundamental ideas of the EU's Founding Fathers (Mone, Churchill etc.), we see that they arose not out of naïve idealistic longings, but rather were dictated by the vital imperative of survival of the European nations and the European civilisation.

The war was coming to an end. Many people in various countries more and more often began thinking of the future of Europe.

Jean Mone — an economist, expert, brilliant initiator of military supplies lines during the war, the creator and commissioner of the post-war plan of reconstruction and modernization of the French economy, a person with an immensely broad vision of the future — wrote in 1945:

“There will be no peace in Europe, if the states will be reconstructed on the basis of national

sovereignty with all consequent aspirations for political dominance and economic protectionism. If the European countries make their choice in favour of isolation and confrontation, it will be necessary to recreate armies. Following the peace conditions some countries will be allowed to do so and others not. We have the experience of 1919 at our disposal; we know the consequences it may lead to. There will be intro-European alliances — we are aware of their cost. Social reforms will be stopped or significantly slowed down by military expenses, and Europe will again live in fear”.

And further: “The European countries are too limited by the size of their territories to secure for their peoples maximal and therefore essential prosperity. They need vaster markets... Prosperity and appropriate progress in the social sphere require the unification of European states into a certain federation or “European whole” that would secure their economic unity... However, this plan implies a united Europe and not only in a sense of cooperation, but also upon consent of the involved parties a partial transfer of sovereignty to some-kind of Central Council that would have the authority to lower custom's barriers, create a vast European market, prevent the revival of nationalism”. Mone knew that “perhaps, it will take longer than an instant to establish the united Europe, but the revival of nationalism won't take long to arrive”.

On the 19<sup>th</sup> of September 1946 in Zurich, Winston Churchill pronounced a speech, in the course of which he called for establishing of the United States of Europe:

“The Europeans have to rebuild the institute of Europe as much as possible in order to build it into the international structure capable of securing peace... The first step will be the partnership between France and Germany... Time is short. We have to use this quiet time to create the United States of Europe, maybe with a different name. It does not matter — most importantly is to start today. I beg you: let's start moving forward in this direction!”

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The reasons for globalization are not so much political, as they are economic and demographic. The population growth deteriorated the opposition





between the “rich” North and “poor” South — consequently — the increase of population migration.

The phenomenon of globalization is also the result of the overlap of demographical, technological and political consequences of the World War Two and the foundation of the Great Powers alliance and the UN (the including of China into the list of Great Powers was the first acknowledgement of its demographical and political influence).

One has to view the development of the EU first of all within the context of globalization and also as its model.

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Under these circumstances the idea of national identity suffers a lot of changes affected by the complex process of cultures’ reciprocal influence.

This process has evoked such topical political notions as tolerance and political correctness.

In spite of the fact that many people speculate on these concepts adding negative connotations to them, these notions are far from being comic. They are the main code words of the fragile structure of the modern world. It is important to always remember that all these establishments constitute a wall that stems the tide of animosity and blood.

#### ON SEPARATISTS AND SECURITY

Today all of those who predict the disintegration of Europe, separatists who call for secession from it wish to preserve the EU advantages and get rid of the intrusive Euro-bureaucrats.

Who will be responsible for the preservation of the indispensable European institutions and common infrastructure — united transportation system, standards and compatibility of technical solutions, broad and free trade zone, and defence of the smaller countries? Interethnic war unfolds only if there are local ethnic military units. For now Europe does not have united armed forces, the armies are national; in principal, one may easily picture some problems here.

The main political failure of EU in the course of its entire history is the Civil War in Yugoslavia, which could have been prevented by timely economic measures and political intervention of the EU into the conflict at its early stage in the beginning of 90-s.

Small and weak EU countries feel secure however, exactly for the reason that there exists a common European defence concept and NATO.

It is possible (and even easy) to destroy the existing state of affairs; World War One has disrupted the European balance and it took a whole century to establish a new equilibrium in Europe.

Former Yugoslavia in terms of relations between the ethnic groups populating it has made a step back to pre-World War One level of development. Countries that have emerged on the basis of the former USSR also find themselves in a state of mutual offences and mistrust; it is with effort that they look for and sometimes fail to find grounds or even common language for interaction.

Looking at all of these examples, Euro-bureaucrats, lawmakers and all the managers of the most complex pan-European institutions have to lose a bit of their smug and become more concerned; there is a need to set up and get running the system of feed-back aimed at urban and rural population; the civil society of these countries must have an adequate representation of their interests in the European structures.

One of the factors opposing the centripetal forces of decay must be the efficient and up-to-date feed-back systems, taking into consideration the standpoints of various groups in the civil societies

of the European regions including the most provincial ones with their social, religious and ethnic groups.

The EU is one of the most complex and sophisticated institutions — the main acquisition not only of the post-war Europe, but also the outcome of its long-suffering history.

All nations of the EU without exception had to pay a very high price for what we call today the European Union, which secures prosperity and hopes of its elements.

Moreover, the European Union is one of the most important factors of hope for the entire humanity, which is still divided into nations, religions, races, social classes and castes.

Will the EU develop towards a greater centralization of decision making (mainly in the financial sphere)?

Most likely — yes; European countries will have no other choice other than exercising a more responsible and coordinated social and financial policy. The main threat of the EU today is a significant diversification of the level of economic development and social expectations of the member states. One can imagine that some countries would split off from the Union; perhaps, certain countries would be in a way limited in rights or even excluded (though no such procedure is stipulated); one may picture a double-stage union with membership at different levels. However, the financial and economic alliance of Germany, France, Belgium, the Netherlands and the acceded Switzerland will remain valid. And still, even the possible downfall of the European currency, largely discussed today, is an important but insufficient factor to disintegrate the Union. Its structure is stronger than one might assume. It is built not only out of high hopes, but also out of fears of the worst and memories of the past European wars. It is comprised not of mere words, but of a really efficient legislation that was developed in great pain, operating institutions and also, perhaps most importantly — coordinated interests of the European market. ■