
European Union Faces Another Year of Living Dangerously



By Douglas Webber , INSEAD Professor of Political Science

Beware - the European Union is not set in stone. It can disintegrate.

The U.K.'s vote to leave the EU is the biggest blow in the union's history.

However, the withdrawal of the U.K. or any member is by no means its only existential threat. On a single day in July, not 10 days after the Brexit vote, Italy threatened to defy Brussels and bail out the country's banks; the European Commission threatened to sanction Spain and Portugal for running budget deficits above EU-imposed ceilings; and France threatened to stop applying an EU directive on seconded workers.

What these three conflicts exemplify is that the crisis now facing the EU is more multi-dimensional than any it has previously confronted. Disintegration threatens on all sides: *horizontal* (by the withdrawal of existing members); *sectoral* (by the collapse of common policies); and, as the above conflicts illustrate, *vertical* (the loss of power and authority to national governments).

In the past, it was said that the EU thrived on crises, and for a long time, its evolution reflected that. But none provoked European *disintegration*. In fact, as the union matured more states joined, more common policies were

adopted and implemented, and the powers of the EU's supranational organs vis-à-vis member states were gradually extended.

This evolution – towards ever wider and deeper integration – explains the extremely optimistic accounts of the project.

Optimism overload

But this optimism rests on the premise that economic bonds between member states are so strong it would be irrational to risk severing them, and that the EU's institutions are so deeply rooted that major economic crises will not jeopardise them.

This optimism is misplaced. Historically, two factors have been responsible for forging the unique level of political integration that exists in Europe compared with other regions and continents.

The first of these is the longstanding domination of domestic politics in Western Europe by moderate right, centrist and moderate left political parties, which were united in their goal of taming European nationalisms and preventing the outbreak of any new major war in Europe.

The second factor is the dominance of France and Germany in providing stabilising collective leadership, direction, mediation in conflicts, and, where necessary, underwriting the project financially.

Fragile, handle with care

The EU's current crisis is more menacing than any previous impasse because these factors no longer apply to the same degree as in the past. The 'established' parties of the centre and the moderate left and right are losing support to anti-European parties of the radical left or, more so, especially in northern European countries, of the radical right. Their growth increasingly limits the 'old' parties from making the necessary compromises to solve the EU's critical issues.

At the same time, when it is needed most, the stabilising collective leadership has waned. Franco-German cooperation – thankfully – continues, but France no longer has the financial resources, economic credibility or room for domestic political manoeuvre to play the co-leadership role it has traditionally played, leaving Germany, by default, as the EU's *de facto* dominant power. Thus, while the EU's periphery has expanded following

successive enlargements, its core has shrunk.

Germany has arguably become the EU's sole leading power, albeit, on different issues, to different degrees, accommodating the interests of other member states to different extents and with varying degrees of effectiveness.

Germany's ability and willingness to play this role, especially to bear the financial costs, has become increasingly uncertain. Growing public opposition to the government's Eurozone and migration crisis policies has fostered the emergence over the last two years of a right-wing, anti-European party, the 'Alternative for Germany' (AfD), which, if it consolidates its support, could significantly curtail Germany's capacity and willingness to help manage the EU's crises.

It is still possible, of course, that the EU will master its present crises as it has done in the past. If Brexit is seen as inflicting major damage on the British economy, anti-European sentiment in other member states and, with it, the threat of contagion from the referendum outcome may wane. Since the agreement over a new bailout package for Greece a year ago, the Eurozone crisis appears to have stabilised. Since Hungary effectively closed the 'Balkans route' and the EU reached an agreement with Turkey over Syrian refugees earlier this year, the migration crisis too looks less acute.

Radicals are gaining

But if these agreements unravel, even the prospective negative effects of Brexit on the U.K. might not suffice to curb the growth of anti-European sentiment and parties in other member states.

In addition, citizens of numerous member states are set to head to the polls next year. In October, in a re-run of a presidential election first held earlier this year, Austrians may elect a candidate from the anti-European Freedom Party who came within a fraction of a percentage point of winning the last election. In Hungary, an anti-European government will stage a referendum to secure a popular mandate for its policy of refusing to accept any refugees from the Middle East. Before the end of 2016, Italian Prime Minister, Matteo Renzi, will put a reform of the Italian constitution to a popular referendum. His (entirely conceivable) defeat in the referendum would likely provoke his resignation and new elections, which could produce a Parliamentary majority and government dominated by the anti-European 'Five Star Movement'. The

Front National is likely to emerge strengthened from French presidential and parliamentary elections in spring 2017, while, on current trends, German Parliamentary elections a year from now will witness the entry into the Bundestag of a substantial contingent from a right-wing anti-European party for the first time since the foundation of the Federal Republic in 1949.

No doubt - for the EU, 2016-17 will thus be one more year of living dangerously. More likely than not, the political centre will (just) hold in the member states – France and, above all, Germany – that matter most and the worst will be averted. But in 2021-22, when both countries are scheduled to vote again, if the EU is still crisis-stricken it may be a different story.

In the course of history, many states and proportionally more regional organisations have fallen apart. The EU is not set in stone. Even if it were, we know from the ancient maxim that eventually ‘water breaks the stone’. It would be naïve to believe that the EU cannot disintegrate.

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