

EU FUTURE'S DEBATE IN LIGHT OF AN ECONOMIC CRISIS

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Abstract

During the last three years, the complex process of development and functioning of the EU faced a lot of challenges and experienced some difficulties, such as the economic crisis caused by energy and supply problems and the post-Covid-19 problems. The war in Ukraine and the sanctions against Russia also have strong implications for the EU. In this dynamic environment the problem of divisions and „speaking with one voice“ arise between the member states. These issues reopen the debate about the future of Europe in a new perspective. The focus of the present study is the prospects for the development of the Union through the prism of its economic integration.

Key words: European union, crisis, debate, economy

„United we stand, divided we fall... It must be made crystal clear that the disintegration of the European Union will not lead to the restoration of some mythical, full sovereignty of its member states, but to their real and factual dependence on the great superpowers: the United States, Russia and China. Only together can we be fully independent.“

Donald Tusk¹

1. Introduction

Since its creation, the European union has been viewed as a „sui generis structure“, i.e., a unique structure, of its own kind – it is similar to an international organisation, but is more than that, it has the elements of statehood but is not yet a state. The Union is indeed based on classic international treaties, which are such only as form and methods of contracting and signing, but from the moment of their entry into force they constitute the material constitution of the EU.

In 2013, in its opinion, the Court of Justice of the EU defined the founding treaties as the „constitutional charter“² of a legal union. Today, several decades after the

¹ Donald Tusk was the president of the European Council during the period 2014-2019 Source: Official website of the European Council, (31.01.2017), Letter by President Donald Tusk to the 27 EU heads of state or government on the future of the EU before the Malta summit, available online at: <https://www.consilium.europa.eu/en/press/press-releases/2017/01/31/tusk-letter-future-europe/>, last visited 01.05.2023.

² Court of Justice of the EU, Opinion of the Court, 23.08.2013, Case Avis 2/13, available online at: <https://curia.europa.eu/juris/liste.jsf?pro=AVIS&num=c-2/13>, last visited on 10.05.2023.

creation of the EU, it is irrelevant whether we call it a union or a legal community. The EU is an amalgam in which we can find a number of elements of international law, as well as an understanding of a process that continues to flow, which we will not call federalisation, but rather constitutionalisation – as a form of organising public power. In order to examine its essence, it must be considered that integration begins with the means and rules of international law and that is a genetic inheritance within the Union itself, that is why it gives a number of characteristics within it. This process, however, does not stop there and has continued and continues to develop as such outside of the international law, relying on its own legal order, creating conditions for consistent and deep political and economic integration.

Over the years, integration within the union has faced a number of challenges, including the entry of new member states, which has raised a lot of questions about its future development. The economic crisis caused by energy and supply problems and the post-Covid-19 problems, the war in Ukraine and the sanctions against Russia also have strong implications for the EU. The aim of this paper is to analyse the prospects for the development of the Union in this environment through the prism of its economic integration. The paper is structured as follows. The next section describes in brief the dimensions and nuances of the debate on the future of the European Union over the years. The section afterwards analyses the effects caused by energy and economic crises on Union's integration and stability. The last section concludes and gives outlines of the new perspectives.

2. The debate

Before presenting the main analysis in this part of the report, a semantic clarification should be made. One of the meanings of the verb „debate“ is „to turn over in one's mind: to think about (something, such as different options) in order to decide“³. In 2016, on the eve of the 60th anniversary of the Treaties of Rome, the functioning of the Union has faced a number of challenges such as:

- External: the dynamic geopolitical situation in the world and around the European borders – annexation of Crimea by the Russian Federation and the conflict in Donbas in 2014; bilateral trade sanctions between EU and Russia; China's aggressive trade policy; conflicts in Africa and Middle East caused by radical Islam; the domestic and foreign policy of the United States led by President Trump.
- Internal: Brexit and the upheavals in the political and economic integration of the Union caused by it; the rise and development of the nationalist and anti-EU political parties in member states.

As a result, the member states and EU institutions begin to consider different options, in order to decide the direction of the Union's development. On 1 March 2017, the President of the European Commission, Jean-Claude Juncker, presented a White Paper outlining five scenarios for the future of the EU27 until 2025, including different options for the development and levels of integration of the Union.

³ According to online dictionary Merriam-Webster. Available at: <https://www.merriam-webster.com/dictionary/debate>. Last visited on 15.05.2023.

Box 1 „Five scenarios for the future of the EU27“⁴

Scenario 1: „Carrying on“ – implies preserving what has been achieved so far in terms of European integration and continuing in the same direction.

Scenario 2: „Nothing but the Single market“ – focus only on deepening certain key aspects of the single market.

Scenario 3: „Those who want more do more“ – groups of Member States agree on specific legal and budgetary arrangements to deepen their cooperation.

Scenario 4: „Doing less more efficiently“ – focus and limited resources on a reduced number of priorities.

Scenario 5: „Doing much more together“ – cooperation between all Member States further than ever before in all fields.

The debate on the future of Europe puts on the agenda a number of issues that directly affect the functioning and development of the European Union as a whole. The controversy surrounding this topic brings to the fore some differences in views on the deepening of integration processes between member states. In one form or another, at certain periods of its development, the EU has been torn apart by internal divisions, during which the inability of the member states to speak with one voice is clearly visible.

In the period from April 2021 to May 2022, the Conference on the Future of Europe was held, with a series of debates and discussions initiated by citizens with the aim of shaping a common framework for the development of the Union. Such an initiative demonstrated the effectiveness of the pan-European democratic process and resulted in a final report with 49 proposals covering nine themes: climate change and environment; healthcare; a stronger economy, social justice and jobs; EU in the world; values and rights, rule of law, security; digital transformation; European democracy; migration; education, culture, youth and sports. The focus of the debates is also the process of economic recovery after the pandemic.

At the core of the debate, as well as of each of these scenarios, is the question of the subsequent development of the European economy, which in an internal aspect is directly linked to the dynamics of the integration process. Two aspects can be found in the essence of the concept of European economy: on the one hand, this is the so-called technological aspect - the fact that the European economy represents a single economic space (formed on the basis of the free movement of goods, services, capital and people), within which economic entities operate. On the other hand, there is the political aspect representing the mechanisms for reproduction, distribution and redistribution of value within the single economic space and the emerging economic union based on it.⁵ However, in order to achieve full economic integration⁶ in the

⁴ Source: European Commission, White Paper on the Future of Europe, Reflections and scenarios for the EU27 by 2025, COM (2017)2025 of 1 March 2017.

⁵ Hadjinikolov, D. (2016), European economy, Sofia: Publishing complex UNWE.

⁶ For the purposes of the present study, the concept of the five-phase division (Free Trade Zone, Customs Union, Common Market, Economic and Monetary Union and Full Economic Integration) of the economist Bela Balassa has been adopted. It should be noted that each higher phase of integration contains the previous ones, which continue to develop as an integral part of it.

Union, a single internal market and an Economic and Monetary Union should first be fully established. An extremely strong influence on these processes in the period after 2020 is caused by the unstable external environment – the consequences of the COVID 19 pandemic and the war in Ukraine. The following point will examine and analyse the dimensions of the energy and economic crisis caused by these events and their impact on integration.

3. Time of crisis

The Union's economy is one of the largest in the world, being a leading exporter and importer, an investor and recipient of foreign investment and one of the largest aid donors. The coronavirus pandemic, however, represents a „shock of historic proportions for Europe's economies“, as stated in the European Commission's Spring Economic Forecast: Rolling Up Our Sleeves (2021). The negative consequences are expressed in the following:

- A significant slowdown in the growth of the member states' economies, respectively of the Union's economy as well as a serious recession.
- Limitations in the application of the basic principles of the European economy – liberalism; non-discrimination; exclusive competence; rule of EU law; enhanced cooperation; proportionality and subsidiarity.

The statistical data presented in the following analysis (also Table No. 1), including forecasts for 2023 and 2024, are based on the regular seasonal economic forecasts of the European Commission.⁷ Purposefully, the author has presented in a footnote the titles used by the European Commission for each of the forecasts. They contain the

⁷ European Economy Institutional Papers are reports analysing the economic situation and economic developments prepared by the European Commission's Directorate-General for Economic and Financial Affairs, which serve to underpin economic policymaking by the European Commission, the Council of the European Union and the European Parliament.

European Commission, Spring 2021 Economic Forecast: Rolling up sleeves, available online at: https://economy-finance.ec.europa.eu/system/files/2021-05/ip149_en.pdf

European Commission, Summer 2021 Economic Forecast: Reopening fuels recovery, available online at: https://economy-finance.ec.europa.eu/system/files/2021-07/ip156_en.pdf

European Commission, Autumn 2021 Economic Forecast: From recovery to expansion, amid headwinds, available online at: https://economy-finance.ec.europa.eu/system/files/2021-11/ip160_en_0.pdf

European Commission, Spring 2022 Economic Forecast: Russian invasion tests EU economic resilience, available online at: https://economy-finance.ec.europa.eu/system/files/2022-05/ip173_en.pdf

European Commission, Summer 2022 Economic Forecast: Russia's war worsens the outlook, available online at: https://economy-finance.ec.europa.eu/system/files/2022-07/ip183_en.pdf

European Commission, Autumn 2022 Economic Forecast: The EU economy at a turning point, available online at: https://economy-finance.ec.europa.eu/system/files/2023-02/ip187_en.pdf

European Commission, Winter 2022 Economic Forecast: Growth expected to regain traction after winter slowdown, available online at: https://economy-finance.ec.europa.eu/system/files/2022-02/ip169_en.pdf

European Commission, Spring 2023 Economic Forecast: an improved outlook amid persistent challenges, available online at: https://economy-finance.ec.europa.eu/system/files/2023-05/ip200_en_1.pdf

European Commission, Winter 2023 Economic Forecast: EU Economy set to avoid recession, but headwinds persist, available online at: https://economy-finance.ec.europa.eu/system/files/2023-02/ip194_en_1.pdf

logic and dynamics of the development of the European economy for a three-year period saturated with a number of turbulences: from the process of „rolling up sleeves“ in order for „reopening and recovery“ after the COVID, to the war’s reality and „worsens“ of the outlook; from testing EU „economic resilience“ to avoiding recession.

In 2020, the EU economy shrank by 6.1% and the Eurozone economy by 5.7%. For comparison, in 2019, the EU economy grew by 1.8% and the Eurozone’s by 1.6%. The reason for this is the fact that a large part of enterprises, as well as entire sectors (such as tourism, restaurants and others) have not been able to adapt to the restrictions introduced as a result of the anti-epidemic measures. Countries such as Greece, Italy and Spain, whose gross domestic product is largely dependent on tourism, saw their economies shrink between 9% and 11.3%. In comparison, Ireland is the only member state that have a positive economic growth for 2020 (Table No. 1). This is a logical consequence of the fact that it is among the leading countries in the import and export of services with third countries, which is due to the following: the Irish services sector is highly developed in the field of cyber security, eHealth, smart cities, etc.; it is the only European country whose market is both part of the internal market, the Eurozone and English-speaking; the Irish economy has been one of the fastest growing in the last ten years, making it highly attractive for investment. Before the creation of the so-called „green corridors“, through the measures imposed in the area of „Borders and Mobility“, the free movement of people and goods is hindered. In addition, the provision of a number of services that do not exist in a digital environment is restricted. This leads to a real impossibility to guarantee the availability of basic goods and services. In turn, the safety mechanisms introduced in the areas of „Economic Measures“ and „Public Health“ threaten equality between economic operators, leading to a violation of the rules of fair market competition.

The consequences of the pandemic discussed so far have a negative impact on the development of the integration processes of the European economy. In practice, the functioning of the internal market during this period is under real threat.

**Table 1 No. „Gross domestic product, volume
(Percentage change on preceding year, 2019-2024)“⁸**

	2019	2020	2021	Winter 2023 Interim Forecast			Autumn 2022 Forecast		
				2022	2023	2024	2022	2023	2024
European Union	1.8	-5.7	5.4	3.5	0.8	1.6	3.3	0.3	1.6
Euro area	1.6	-6.1	5.3	3.5	0.9	1.5	3.2	0.3	1.5
Belgium	2.2	-5.4	6.1	3.1	0.8	1.6	2.8	0.2	1.5
Germany	1.1	-3.7	2.6	1.8	0.2	1.3	1.6	-0.6	1.4
Estonia	3.7	-0.6	8.0	-0.3	0.1	2.8	-0.1	0.7	2.1
Ireland	5.4	6.2	13.6	12.2	4.9	4.1	7.9	3.2	3.1
Greece	1,9	-9,0	8,4	5,5	1,2	2,2	6,0	1,0	2,0

Spain	2.0	-11.3	5.5	5.5	1.4	2.0	4.5	1.0	2.0
France	1.8	-7.8	6.8	2.6	0.6	1.4	2.6	0.4	1.5
Croatia	3.4	-8.6	13.1	6.3	1.2	1.9	6.0	1.0	1.7
Italy	0.5	-9.0	6.7	3.9	0.8	1.0	3.8	0.3	1.1
Cyprus	5.5	-4.4	6.6	5.8	1.6	2.1	5.6	1.0	1.9
Latvia	2.6	-2.2	4.1	1.8	0.1	2.7	1.9	-0.3	2.6
Lithuania	4.6	0.0	6.0	1.9	0.3	2.5	2.5	0.5	2.4
Luxembourg	2.3	-0.8	5.1	2.0	1.7	2.4	1.5	1.0	2.4
Malta	7.0	-8.6	11.7	6.6	3.1	3.7	5.7	2.8	3.7
Netherlands	2.0	-3.9	4.9	4.4	0.9	1.3	4.6	0.6	1.3
Austria	1.5	-6.5	4.6	4.8	0.5	1.4	4.6	0.3	1.1
Portugal	2.7	-8.3	5.5	6.7	1.0	1.8	6.6	0.7	1.7
Slovenia	3.5	-4.3	8.2	5.1	1.0	2.0	6.2	0.8	1.7
Slovakia	2.5	-3.4	3.0	1.7	1.5	2.0	1.9	0.5	1.9
Finland	1.2	-2.4	3.0	2.0	0.2	1.4	2.3	0.2	1.4
Bulgaria	4.0	-4.0	7.6	3.9	1.4	2.5	3.1	1.1	2.4
Czechia	3.0	-5.5	3.6	2.5	0.1	1.9	2.5	0.1	1.8
Denmark	1.5	-2.0	4.9	3.1	0.1	1.6	3.0	0.0	1.3
Hungary	4.9	-4.5	7.1	4.9	0.6	2.6	5.5	0.1	2.6
Poland	4.5	-2.0	6.8	4.9	0.4	2.5	4.0	0.7	2.6
Romania	3.9	-3.7	5.1	4.5	2.5	3.0	5.8	1.8	2.2
Sweden	2.0	-2.2	5.1	2.4	-0.8	1.2	2.0	-0.6	0.8

In 2021, after measures taken by the European institutions and the subsidence of the pandemic, a period of recovery of the European economy begins. The EU economy grew by 5.4 % and the Eurozone's by 5.3 %, which means that there is a real rebounding from the pandemic recession.

Unpredictably a new challenge has been posed - the war in Ukraine. In February 2022, the Russian Federation invades Ukraine - an event that has been leading to serious negative effects on European economy. The EU response to the war was to adopt new series sanctions (the first restriction measures were taken after the annexation of Crimea in 2014), followed by contra-measures from Russian Federation towards the Union. As a result, a number of issues arise in various spheres such as trade, agriculture, security and others which call into question the unity between the member states and create preconditions for disagreements and nationalistic sentiments.

One of these areas has been energy. For many years, Russia was the main exporter of crude oil, natural gas and solid fossil fuels for the Union. This strong dependence means that EU's economy relies on Russia's imports to meet more than a half of its energy needs. As a response to EU's sanctions, the Russian Federation use that dependence as „weapon“. During the middle of 2022, the coming winter was seen as „perfect storm“ – economic growth in EU was slower; in 12 member states gas supplies were stopped or reduced; energy prices have been increasing; energy-saving measures on citizens and business were imposed; according to Russian's President Decree was adopted an obligation to pay for gas in Russian roubles when the buyers are from so called „unfriendly states“ (the list of „unfriendly states“ includes all EU member states) or when gas is supplied to such state.⁹

In this current context of great uncertainty, solidarity between EU countries was very important. Active actions were taken in the direction of strengthening the energy sustainability and autonomy of the EU countries. The member states began to speak in unison.

4. Conclusion – New perspectives

Over the past three years, the functioning and stability of the European Union has faced a number of unprecedented challenges. Both the core values of the Union and its integrity are put to the test. In this environment, the answer to the question of the extent to which Member States are willing to cede competence or are more likely to close themselves within their national borders becomes increasingly important. Raising European integration to the next level and deepening the integration process will make the Union economy much stronger and more competitive in world markets.

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⁹ Russian President's Decree No. 172 of March 31, 2022.

- European Commission, Summer 2022 Economic Forecast: Russia's war worsens the outlook, available online at: https://economy-finance.ec.europa.eu/system/files/2022-07/ip183_en.pdf
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