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STAGNATION AND INTEGRATION IN EUROPE

Toshiro Tanaka

The economic crisis, triggered by the bursting of the US housing bubble and exacerbated by the bankruptcy of Lehman Brothers in September 2008, hit not just the United States but also Europe. The crisis has spread to both eurozone countries (Greece, Spain, Portugal, Ireland and Italy) and non-eurozone countries (Britain and Hungary) as well as a non-European Union member state (Iceland). Most notably, after a months-long debate,

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the EU and the International Monetary Fund agreed to provide a loan package to bail out Greece, which was found on the brink of a default on government bonds after the change of government revealed that the previous administration had repeatedly misreported fiscal deficit figures. Due to fears of a double-dip recession, however, the euro continued to depreciate against the yen, negatively affecting the Japanese automobile and electronics industries whose exports to Europe had just started recovering. Personally, our group of researchers lost in real terms two-fifths of the research funds provided by the European Commission in euro converted into yen when compared with the time of application.

Despite the stagnation, however, I am not pessimistic about the future of the EU. History has shown that Europe has moved forward with integration through periods of stagnation, standstill and at times regression. Most notably, it was an important experience for Europe to have overcome “eurosclerosis” in the early 1980s by hammering out a vision to establish a Europe without frontiers by the end of 1992 with the adoption of the White Paper on Completing the Internal Market and the signing of the Single European Act (SEA).

In the meantime, the end of the Cold War and the demolition of the Iron Curtain, which had artificially divided Europe, promoted the region’s integration, expanding the membership of the European community from the original six to a near all-Europe level of 27. Europe has succeeded in establishing a “non-war community” that relies for the settlement of disputes on cooperation based on rules and dialogue instead of military muscle as in the past; even judicial measures are available as a last resort in dispute settlement. This is the largest contribution that European integration has made to international society.


Furthermore, the Lisbon Treaty that entered into force in December 2009 was a result of an eight-year-long effort by EU member states to avert the abortion of the European Constitutional Treaty. With the strengthened Common Security and Defence Policy (CSDP) and the newly created post of High Representative of the Union for Foreign Affairs and Security Policy (the HR automatically becomes a Vice-President of the European Commission), the Treaty laid the foundation for the EU to implement active foreign policy as an

global actor.

Throughout the historical process, the most important variable for European integration has been the relationship between Germany and France. As recently as this decade, the two countries played a key role in determining the fate of the European Constitution: Chancellor Angela Merkel, during Germany's EU Presidency in the first half of 2007, salvaged the European Constitutional Treaty rejected by the French referendum in May 2005. What delayed the bailout of Greece was the opposition of Germany, the EU's paymaster, which feared that once a rescue plan was approved for the bankrupt state with no prospect for successful reform, other eurozone countries such as Portugal, Spain and Italy might also demand German taxpayers' money. The initial opposition by French President Nicolas Sarkozy to the IMF intervention was another factor. It would be difficult to expect Britain, a latecomer to the EC/EU that participated in neither the euro nor the Schengen Agreements to abolish internal border controls in Europe, to take any initiative, although it did exercise leadership in promoting security policy under Tony Blair. The Liberal Democratic Party is more pro-EU than the Labour Party, but its coalition partner, the Conservative Party, has no wish to move integration beyond the Internal Market.

The EU has not yet decided on its "finalité", where its integration would ultimately lead to in terms of geographic scope, institutional shape and competence. Franco-German relations will remain a decisive factor in shaping the future of European integration.

Finally, EU-Japan relations have been characterized by an "expectations deficit" (Tsuruoka, Michito, *Current Politics and Economics of Asia*, 2008). Despite the Joint Declaration of 1991 and the Action Plan of 2001 between the EU and Japan, the EU is underestimated in Japan and Japan is underestimated in Europe and the EU. Thus Europeans do not expect much from Japan and Japan does not expect much from the EU, even if we are both still at least major economic powers. On the contrary, we should work together to salvage ourselves from the economic crisis and address global issues such as the environment and energy. The 19th Japan-EU Summit, held on 28 April 2010,

decided to establish a joint High-Level Group to identify options for the comprehensive strengthening of all aspects of Japan-EU relations. I sincerely hope that the High-Level Group will come up with imaginative and bold initiatives for the future, including an Economic Partnership Agreement. 

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