



Greek Prime Minister Alexis Tsipras called a “flash referendum” in which Greeks rejected a debt deal that was no longer on the table, only to be forced to accept even more stringent terms for financial support from the EU. Flickr photo

Greece and the EU: Beware of the Single Story

Jeremy Kinsman

As the exalted post-war vision of a united Europe succumbs to the short-term challenges of economic incompetence and social disruption, an international order in flux demands EU leadership that thinks in decades and centuries, not weeks and months. As long-time diplomat and foreign policy strategist Jeremy Kinsman writes, the noble project of Monnet, Schumann, Spinnelli and Spaak can either implode under the weight of its own tactically exploited divisions, or higher and wider aspirations will prevail.

After months of media frenzy, the drama surrounding the struggle by Greece to avoid bankruptcy, expulsion from the euro-zone, and the economic descent that would likely follow a return to the drachma subsided with a Greece/EU deal nobody likes but that should give Greece a few years to adjust by kicking the can down the road.

Financial reporting on the Greek crisis was dire, conflated with the sort of moral allusions that inhabit Dickens' descriptions of debtors' prisons. Northern European media excoriated Greeks

for the tax cheating and fudging of national accounts that had been a cultural and political pattern for decades. But the Greeks' partners in fraud were northern EU banks, ever-ready to make irresponsible loans that went belly-up with the financial crisis of 2008.

EU public opinion fractured into polarized national caricatures, rule-of-law good Germans laying into bad scofflaw Greeks deserving their plight, while humiliated and victimized Greeks blew back against rigid domineering German throwbacks.

For Romano Prodi, former president of the European Commission and former prime minister of Italy, the "poor handling" of these emotions ensured that "a small problem became a big one" by depleting the fund of mutual confidence that underpins the European Union's delicate balance.

Commentary has veered into existential questioning about the future of the Euro and indeed of the EU itself. What does the EU stand for today? Will it survive evidence of structural design flaws? Do the increasingly disgruntled citizens of the 28 member states, each of which has its own national political narrative, really believe there is "too much Europe" in their lives?

EU-worriers counter that growing public defection from the European project, encouraged by populist nationalist politicians, could produce "too little Europe" to maintain the solidarity needed to prop up Europe's economic and social model, and cope with trans-national challenges

Populist anti-EU resentment has been fueled by the massive financial bailout for Greece thus far, about \$US 33,000 per Greek citizen. The anti-establishment left, especially in France, Italy, and Spain, objected to Germany's insistence on severe austerity as the condition for further Greek credit. There was popular sympathy with the Greek contention that the principal beneficiaries of the public credits were private banks, while or-

“ EU public opinion fractured into polarized national caricatures, rule-of-law good Germans laying into bad scofflaw Greeks deserving their plight, while humiliated and victimized Greeks blew back against rigid domineering German throwbacks. ”

dinary citizens suffered the upending of their lives.

According to German economics professor Hans-Werner Sinn in the *New York Times*, the reality is that only a third of the roughly US\$250 billion went to the banks; another third to the Greek treasury to finance the need of Greece to import almost everything; and a third filled in behind the flight of Greek private capital.

“ What does the EU stand for today? Will it survive evidence of structural design flaws? Do the increasingly disgruntled citizens of the 28 member states, each of which has its own national political narrative, really believe there is "too much Europe" in their lives? ”

Angry and desperate Greeks believed their drastically deteriorated economic circumstances represented payment enough for their wayward self-governance. Rejecting the discredited political class, they hoisted into power a left-wing populist protest party, Syriza. The new Prime Minister Alexis Tsipras, and especially his Finance Minister, Yanis Varoufakis, self-proclaimed Marxist and *agent provocateur*, surfed public resentment, blaming global capitalism for their country's bro-

ken condition in an apparent belief they had a mandate to challenge the whole system.

Basking in rock star status conferred by breathless European media, they overplayed their weak hand. Exasperated European partners, who took a flash referendum as blackmail, overwhelmingly lined up behind Germany's tough line. Facing a withdrawal of financial support and even expulsion from the Euro, Tsipras had to accept an austerity package as humiliating as it was hard. He bounced radical ministers and moved toward the pragmatic centre, leaving most Greeks relieved and hopeful the country can now muddle through for a few years even with cuts to pensions and new taxes required by the EU.

But as the IMF has underscored to its partners in the creditor "troika," the European Central Bank, and the eurozone authorities themselves, Greek debt is unsustainable, and austerity makes it worse. After Greece consented to impose spending and other cuts as a condition for the last round of bailout credits in 2009, debt went from 125 per cent of GDP to today's 175 per cent.

Tsipras hopes that Parliament's approval of the reform package signals to paymasters a sufficiently contrite commitment to severe cuts in spending, however unenthusiastic, to enable a new round of negotiations for essential debt relief through debt rescheduling and restructuring (not actual reduction). Greece would thereby remain, for now, part of the battered but intact euro family of 19 nations, despite the misgivings of many in Northern Europe.

Many skeptics in the economic press believe this only delays Greek bankruptcy, since austerity throttles attempts to revitalize the economy. Recovery needs a currency devaluation, impossible within the Euro, where many outsiders believe loosely-governed Greece never belonged.

“*After Greece consented to impose spending and other cuts as a condition for the last round of bailout credits in 2009, debt went from 125 per cent of GDP to today’s 175 per cent.*”



French President François Hollande and German Chancellor Angela Merkel. France and Germany are the pivotal leaders of the European project, which as Jeremy Kinsman writes, “remains a work in progress”. Flickr photo

This underestimates the resilience of belief in the wider historic European project, even among leaders warning about moral hazard if Greece was let off the hook. Few Europeans in decision-making capacities would actually revel over the failure of this deal. Only die-hard anti-EU nativist politicians would want the EU itself to crash.

Indeed, that the crisis has rattled confidence in the sustainability of the European project itself may therefore be what saves it.

Pushback against the notion of political unification is nothing new, though it has gained traction as living memory faded of the violent calamities caused by European nationalisms in two world wars that an “ever-closer union” aimed to make impossible forever.

Euro-skepticism thrives in the “Anglosphere.” North American opinion undervalued the political aspirations behind the European unification movement born in the rubble of the Second World War. British opinion grasped them but recoiled, preferring a European Union that limited itself

to functional economic cooperation and didn’t interfere with issues of national identity and political custom.

The project’s founding idealists—Monnet, Schumann, Spinelli, Spaak—understood the need to soft-pedal political goals of unification by channeling them underneath functional purposes. Starting with co-management of the coal and steel industries at the fault line of German-French rivalries, they aimed to lock in the habit of common endeavour, first within a common market of the six founding members, with a common agricultural policy and external tariff, then as a progressively enlarging and deepening economic community, with common policies covering the gamut of economic and social life, extending massive infrastructure investment to poorer regions.

The reality is that the EU is an emphatically political project, whose voluntary pooling of national sovereignties has no historical precedent. As such, it remains a work in progress, seeking traction from crisis to crisis in a continuing competition between optimists and pessimists, federalists and nationalists.

But the EU would never become the equivalent of a state. From the project’s start, there were critical no-go zones in Charles De Gaulle’s “Europe des patries,” fenced-off areas crucial to national political sovereignty. Most notable is the politically potent power to tax citizens, vested in sovereign national parliaments that elect national leaders who constitute the EU’s Council of Ministers, now 28, each channeling a distinct national political narrative.

The first priority of elected politicians is to be re-elected. The 19 eurozone members steer different economies with different budgets so as to be able to spend or tax according to electoral opportunity. But this rules out a common agreed fiscal policy, without which a common currency would not work.

This economic truth was an inconvenient contradiction to the essentially political rationale behind at least the timing of the euro’s creation. The overall European political project and its public support began to falter in the 1980s. Used to post-war decades of increasing prosperity and social welfare, deepening policy cooperation, and widening EU membership, many Eu-

Europeans took for granted the highest real standard of living in human history—until economic growth slowed to a point where generous social and employment guarantees and benefits became unaffordable, deepened by the costs of publicly funded pensions for increasingly early retirees.

“Used to post-war decades of increasing prosperity and social welfare, deepening policy cooperation, and widening EU membership, many Europeans took for granted the highest real standard of living in human history.”

National politicians were increasingly blaming “Brussels” for bad economic news and the necessity of cuts to benefits and expectations. Commission bureaucracies were easily caricatured as over-staffed, over-paid, and intrusively interfering in everyday lives. Efforts to endow the European project with tools of direct democracy created a European Parliament that seemed to radiate waste and inflated entitlement.

The efficiency and effectiveness of those institutions is now being tested not only by threats to the sustainability of the economic model, but by questions of identity, security and human rights spawned by the immigration crisis.

Immigration is a surrogate for a variety of issues. National identities are being pressured by a popular feeling there has been too much change, too fast, including from the last wave of EU enlargement that has added economic migrants from inside the EU to waves of immigrants from outside Europe.

EU countries have generally technically been zero-immigration for

“Immigrants” are instead refugees in the hundreds of thousands a year, mostly seeking refuge from the wars of Syria, Iraq, and Afghanistan or from dead ends in Africa, with whom there is no prior contract. Ironically, one of the EU countries bearing the brunt or arrivals is Greece, the least able to afford it.”

years. They don’t seek and recruit settlement-immigrants the way Canada, the US, and Australia do. We extend to candidates for settlement a virtual contract of mutual acceptance. EU “immigrants” are instead refugees in the hundreds of thousands a year, mostly seeking refuge from the wars of Syria, Iraq, and Afghanistan or from dead ends in Africa, with whom there is no prior contract. Ironically, one of the EU countries bearing the brunt or arrivals is Greece, the least able to afford it.

EU solidarity over the best way to manage pluralism is taking a beating. Public opinion in most of the EU is cold to a refugee-sharing plan, believing many refugee/immigrants import practices that undermine hard-won values such as gender equality and the separation of religion from law and civic governance. Jihadist violence against freedom of speech has further hardened attitudes.

The effect is a gathering storm over the European landscape. Nativist parties that are anti-EU and anti-immigrant that have increased their sway in almost every member state have been handed more weapons by the swarms of migrants this summer and by the Euro crisis, including in Britain, soon facing a “Brexit” referendum. The European project based on the belief that disparate national identities could be subsumed for the greater good of all is struggling to reconcile in a convincing way the need for more union at the EU level and more pluralism within member states.

Jack Citrin of the University of California, Berkeley, has written about the way in which the sense of being a “nation” gives legitimacy to the actions of

states. The EU is not a state but sought the attributes of one with the euro in order to acquire identity value normally conferred by “nations.”

National leaders need to articulate Europe-wide objectives in ways that can compete in appeal with nationalist impulses, especially from Berlin, now clearly the EU capital that counts the most after years of reluctance. The Greek crisis confirmed German leadership. But the jury is out on whether it was out of deference to German opinion and narrow national interest, or in support of the common currency as a flagship of the European project.

Just saying the EU must be saved doesn’t make it happen. The founders were right: only doing it will work, over time, crisis by crisis. The substantive crises on the EU’s table are daunting, especially for transactional politicians trying to hold on to office who are consumed with smaller moments of local interest, content with less Europe. But without higher and wider aspirations, sadly, both they and Europe stand to lose. So will North America, as the non-EU partner among the trans-Atlantic liberal democracies whose values have held sway in the world for the past seven decades. **P**

Jeremy Kinsman was a long-time Canadian ambassador under Liberal and Progressive Conservative Governments and now holds positions at the University of California, Berkeley, and Ryerson University. He participates in a non-partisan group that periodically meets to discuss global issues with Justin Trudeau.
kinsmanj@shaw.ca