

PART I
EUROPEAN UNION'S COHESION
AND THE EASTWARD ENLARGEMENT CHALLENGE

THE COHESION OF THE EUROPEAN UNION: ECONOMIC, POLITICAL, CULTURAL CHALLENGES

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Abstract. European Union (EU) cohesion policy in particular and the idea of European integration in general are currently facing some challenges of ability and willingness, both determined by economic, political and cultural factors. Some factors, however, continue to hold EU countries together.

The economic crisis of 2008-10 and its aftermaths further reduced ability and readiness of net contributors to the EU budget to finance EU cohesion policy, even more because these countries have to “save” indebted eurozone periphery. The economic crisis and problems of the euro further weakened ability and willingness of some countries, like Poland, to join the eurozone, thus strengthening the internal division of the EU. Growing unemployment and sense of insecurity in richer EU member states and the increased immigration to these countries from poorer new member states have produced negative attitudes towards immigrants and “Eastern Europe” in general.

The absence of a clear-cut “enemy of Europe” and the variety of external political challenges differently interpreted by governments and societies of individual states hinder the development of a common external policy and sense of internal solidarity. Europe is becoming playground for world powers: USA, Russia and China. Different responses to external challenges, e.g. increased migration from Northern Africa, put at risk some European achievements like the Schengen treaty.

The “Eastern enlargement” together with economic problems revealed weakness of the sense of European identity, and especially unwillingness of Western societies to accept “Eastern Europeans” as Europeans. Even within the “old” Europe the divide between “hard working” North and “leisure” South is becoming more evident.

In such circumstances the ability and willingness to continue generous cohesion policy is declining. However, deep changes in the European cohesion policy or disintegration of the EU are unlikely as European leaders fear of taking dramatic decisions given economic interdependence of EU countries.

Key words: European Union, cohesion, economic crisis, European and national identities, disintegration

1. INTRODUCTORY REMARKS

There are two ways of understanding cohesion in the European Union (EU): socio-economic and territorial one. According to the first one, which prevails until now, the aim of the EU cohesion policy is to reduce – or at least to stop the growth of – internal disparities: between member states, between regions and between social groups. According to the other one, cohesion means integrating territory of the EU by building and improving transport and communication connecting regions and states. This paper deals with the first kind of cohesion.

The basic logic behind the idea of cohesion is that reducing disparities is advantageous for EU's integration, for better functioning of its economy and for reducing tensions between richer and poorer member states, regions and social groups. In sum, it is beneficial both for the richer and for the poorer. Gains for the poorer are outside doubt; the richer, in turn, benefits from larger market for their products in poorer countries and regions, from social peace and political stability. The mechanism of fulfilling the idea of cohesion is transfer of resources from the richer to the poorer via the EU and its institutions, especially via the cohesion and structural funds. The direct recipients of these resources must add their own resources (according to the principle of additionally) and use them in a "proper way", or in a way considered as such by EU institutions and, in last instance, by the "donor" states" (i.e. the net contributors to the EU budget). The crucial precondition for the smooth functioning of this mechanism is **ability** and **willingness** of the rich, especially rich countries, to transfer resources to the poor.

Until a few years ago this precondition was met. Recent developments have, however, considerably changed the situation. These are, first of all, the "eastern enlargement" of 2004 and 2007, and the economic crisis which started in 2008, especially the euro currency and debt crisis. The new situation undermines the ability and willingness of the richer countries (and, more in details, of both their governments and societies) to transfer resources to the poorer ones. Therefore, it is time to examine determinants of ability and willingness of the richer to continue the cohesion policy, as well as the ability and willingness of the poorer to meet possible conditions put forward by the former.

2. DECLINING ABILITY TO CONTINUE COHESION POLICY

The rich countries, which are net contributors to the EU budget enabling EU to carry out its cohesion policy, are mostly those located in the west-northern part of Europe, exclusively those belonging to the "old Europe" (if one ignores the former DDR), with Germany playing the central role. Their ability to continue transferring resources to cohesion policy depends on their budgetary situation and on other needs these countries (governments) must spend money for. Direct net beneficiary of this policy is (or was until some years ago) the rest of the EU, or the whole "new" ("ex-communist", "eastern" Europe) and the southern (Greece, Spain, Portugal, southern Italy) and western (Ireland) peripheries of the "old" Europe.

Until the "eastern enlargement" the rich, prosperous members of the EU were able and willing to finance cohesion policy, as they considered it as a price for peace, stability, functioning open markets and prosperity. Although there were some budget constrains resulting from fiscal austerity rules related to the introduction of the common currency in 2001 and, in the case of Germany, from the costs of German unification and restructuring of the ex-DDR economy, generally the net contributors were able to dedicate necessary means for the EU to continue cohesion policy, and the improving living conditions all over integrating Europe were sufficient justification to do so.

The “eastern enlargement” considerably changed the situation by adding new poor countries, even poorer than the poor of the “old” Europe. Perspectives of accession of new countries, mostly poor Western Balkan countries, let alone Turkey, further deteriorate proportion between rich net contributors and poor net beneficiaries of the cohesion policy.

The economic crisis of 2008-10 and its aftermaths in 2011 (policy of cutting budget deficits) further reduced ability of net contributors to the EU budget to finance EU cohesion policy, even more so because these countries have to “bail out” indebted eurozone periphery and their own banks. At present (December 2011) the eurozone countries, and the whole EU, face the Greek financial crisis. The successive bail-out packages of the EU and the International Monetary Fund have turned out to be insufficient to make this country able to finance its expenditures and service its debt and to reverse the downward tendency of its economy. It is becoming clear that further funds for Greece are indispensable, if Greece is to remain in the eurozone and perhaps even in the EU. Beside Greece, other peripheries of the “old” Europe (Spain, Portugal and Italy), as well as banks in the core countries, are in need. Germany who bears the bulk of the burden of bail outs seems to be less and less able (let alone willing) to continue paying for this policy.

Apart from the eurozone debt crisis, the EU must face several external challenges, like the rising power of China and other emerging countries, instability in North Africa and Middle East, etc. The Chinese challenge (which is also an opportunity) pushes Europe to increase its competitiveness: to strengthen its position in high-tech sectors (to run away from Chinese competition in low-tech sectors and to take opportunity of the Chinese market for products of high-tech sectors) and to deal with the victims of the Chinese competition in low-tech sectors. All this needs money to be spent for new technologies, for dealing with unemployment and the restructuring of the economy, for foreign policy etc. One should not forget “ordinary” problems of European governments such as needs for public money resulting from ageing population and soaring expenditures for retirement funds, from environmental protection and, in the case of Germany, from switching off nuclear energy (announced by the German government in response to public demands after Fukushima nuclear power plant crisis in 2011).

In such a situation it is more and more difficult for the richer countries to find money for cohesion policy¹, and there is growing pressure from these countries to reduce (in real if not nominal terms) funds dedicated to this policy, and to connect this policy with other policies, especially with competitiveness policy (shifting money towards R&D), environmental policy (preference for projects which reduce emission of pollutants) and with fiscal policy (reducing funds for countries with excessive budget deficits). It can be difficult to find ways of combining such policies without diminishing the role of the original policy, in this case the cohesion policy.

It should be remembered, too, that fiscal constrains and economic slowdown (if not recession) also affect beneficiaries of the cohesion policy by reducing their ability to absorb resources (for instance by making it harder for them to collect money for their own contribution in projects). In this context it is worth mentioning that banking sector in poorer countries, especially in central-eastern Europe,

¹ As the EU commissioner for the budget Janusz Lewandowski states, in 2011 there was 1.6 billion euro deficit in the EU budget, which forced the EU to cut or postpone its payments, including those for cohesion and agricultural policy. He also says that the EU budget for the financial perspective 2007-2013 was approved in an atmosphere of prosperity while now the perspective ends in time of ‘powerful’ crisis. This crisis situation also affects negotiations for the next financial perspective 2014-2020, now under way. According to the initial proposal of the European Commission, EU budget would grow, in nominal terms, less than inflation, which mean that in real terms it will diminish. This proposal is criticised by net contributors, so one can expect its further reduction, together with a further reductions in the cohesion policy. See: *Po raz pierwszy mamy manko w unijnym budżecie* [For the first time we have deficit in the union budget, in Polish], “Gazeta Wyborcza” November 30, 2011

is mostly in foreign (West European) hands so that one may expect that the banks may be tempted to transfer resources to their home countries instead of providing credits to their local clients. Linking cohesion policy with other policies – competitiveness, environment policy – would make it harder for poorer countries and regions to prepare projects that would at the same time satisfy requirements of economic growth, environmental protection and improving R&D level. Linking cohesion policy with fiscal policy by reducing funds for countries that exceed limits of public deficit, given the present situation of widespread deficits in the EU, may deprive them and their regions from funds for cohesion policy.

3. DECLINING WILLINGNESS TO CONTINUE COHESION POLICY

Generally speaking, willingness of the rich (in this case: rich EU member countries) to transfer resources (money) to poorer ones depends on three factors:

- the feeling of **economic purposefulness** to help the poorer (whether transferred resources are used efficiently and whether they serve economic interests of the rich)
- the feeling of **political purposefulness** to help the poorer (whether transferred resources strengthen political integration of the donors and recipients)
- the feeling of **cultural affinity** (“our-ness”) of the donors with the recipients

As regards the first factor, in richer EU countries one can observe declining believe that helping the poorer is rational and purposeful. First, people living in rich countries seem to believe that open markets in the EU enabling their firms to penetrate poorer countries, to sell there their products, to purchase assets there and run other business is something granted, something that results from the very principle of free trade in the EU, and consequently, that transfers from the richer to the poorer countries are not necessary. Second, there is growing suspicion, or conviction, that money transferred to the poorer countries are wasted or even simply stolen. This suspicion has grown after the recent enlargement, when east European countries joined the Union². The Greek crisis has even strengthened this suspicion as Greece was commonly accused of cheating the EU (by providing false data to EU institution) to get benefits.

Political purposefulness of transferring resources from one area to another consists in the believe that such transfer strengthens political unity of the two areas, and that the unity is worth paying for. In a democratic society such a believe must be shared by the “ruling majority” of the society. In a non-democratic (authoritarian or bureaucratic) society it is enough that such a view is expressed by the ruling elite. The EU, although composed by democratic states, is a bureaucratic institution. This character has enabled it to carry out activities largely regardless of opinions of its citizens³. The “democratic (or populist) turn” of recent years, best expressed in the French and Dutch referenda of 2005 rejecting the European constitution, means that politicians in the EU, both at country (national) and EU level must take into account the opinions of their citizens-voters to a higher extent. In such

² Especially criticised for corruption are Romania and Bulgaria, whose accession to the EU was considered as premature by many in the Western Europe. According to the Economist, among “Eurocrats” in Brussels the “no more Cyprus” (for not solved political relation in the island) and “no more Romania and Bulgaria” (for corruption) mottos are growing in popularity. This opinion is expression of a wider “enlargement fatigue”, or doubts in the purposefulness of past and future enlargements. See *Arrest and revival. The capture of Ratko Mladic may revive European enlargement*. “The Economist”, June 4th, 2011, p. 42

³ As Mark Leonard, director of the European Council on Foreign Relations, a Europe-wide think tank, points out *The EU was built at a time when citizens were deferential and relations between states were seen as being above politics. Thus shielded from the cut and thrust of political debate, national leaders had the space to pursue visionary foreign policies*. (Leonard 2011)

a situation the question of the value of political unity of the EU (at least in its present borders) emerges.

Political unity of autonomous (independent) units usually enjoys high value if these units are endangered by a common external threat and if further unifying these units can contribute to avoid the threat. In the early stages of European integration such a threat was repetition of wars (which were in fresh memory) that had to be avoided, and communism and the Soviet block that had to be stopped. Nowadays peace in Europe is treated as granted and common external adversaries are lacking (maybe with the exception of immigration). The attitudes towards the main external powers – USA, China⁴ and Russia⁵, are highly ambivalent and disunite rather than unite Europe. The present economic problems in the EU, while demonstrating interdependence of economies of EU members, have also strengthened economic nationalism in member countries. Political unity of the EU is losing its value, especially in rich countries, and so is the sense of purposefulness of paying for it in the form of cohesion policy.

For the richer it is easier to pay for the poorer if both belong to one “family”, in other words, if they feel affinity and express mutual sympathy (“spiritual union”). In the case of countries (nations), cultural affinity and common symbols and memories are among the crucial factors binding them emotionally. Cultural affinity (cultural distance), in turn, depends on similarity in ways of thinking and behaving and on knowledge of each side on the other side. The lack of knowledge of the other makes the other (the alien) distant regardless of possible similarity of ways of thinking and behaving.

Until the “eastern enlargement” EU countries were culturally quite homogeneous, belonging to the Western civilisation (highly secularised societies of Western Christian – protestant or Catholic - origin, the only exception being Greece – an Eastern Christian – orthodox country⁶). Inhabitants of the EU had a basic knowledge of other countries. Even though the feeling of affinity and mutual sympathy was not very strong and was not a driving mechanism of European integration, it was not an obstacle for functioning of the Union. The European Union (called “Europe”) had well defined borders making it a “peninsula” (if not “island”) isolated from the mainland by the “iron curtain”. The situation changed with the “eastern enlargement”. The club of “European” (i.e. Western) nations was joined by nations from the other side of the curtain, from “non-Europe” (in the best case – from “Eastern Europe”). Although societies of the new member countries share principal cultural characteristics with the “old Europe” (resulting from belonging to Christianity, mostly Western Christianity, and sharing European history), generally have a basic knowledge on Europe and consider themselves as Europeans, they are hardly accepted as such by the “old Europe”. The main barrier is the lack of knowledge in Western Europe on the “post communist countries”, the lack of interest to get such a knowledge (which are otherwise characteristic for attitudes of the centre towards peripheries) and prejudices, simplifications and long outdated information which fulfil the knowledge gap in the “West” on the “East”⁷. The mixture of ignorance, prejudices, simplifications and exaggerations

⁴ On divergent European attitudes towards China – between hopes that China would help Europe to save euro and indebted countries and fears that China would buy up Europe – see e.g. Godement 2011

⁵ On recent EU- Russia relations and divergence between EU member states towards Russia see e.g. Judah, Kobzova, Popescu 2011.

⁶ Samuel Huntington his in famous „Clash of civilizations” long before the present “Greek crisis” retained that Greece, for his Orthodox civilisation didn’t fit to the then European Union. (Huntington 2006)

⁷ More on the lack of knowledge in Western Europe on the eastern part of the continent and on the related prejudices see: Norman Davies: *Uprawione porównania, fałszywe kontrasty: Wschód i Zachód w najnowszej historii Europy* [Legitimate comparisons, false contrasts: West and East in the newest history of Europe] in: Davis 2007, p 33-60

makes Western European societies feel cultural distance (and often fear) towards “Easterners”. Of special importance is the widespread opinion in the West on corruption, incompetence and neglect for “European values” in the East and the belief that the enlargement of the EU to the East was a mistake.

The current economic problems in the EU have (re)discovered cultural division even within the West – between the (presumably hard working) North and (“lazy” and leisure-oriented) South, or in other words, between core and periphery⁸. This division largely overlaps with an old and, as many thought, forgotten and irrelevant, division between Protestant and Catholic (including Orthodox) Europe.

The mentioned “populist turn” in the EU made “soft” factors, such as cultural affinity and mutual sympathy of peoples, “European identity” an important element in the functioning of the EU. This turn revealed lack or weakness of emotional ties between European nations, lack of positive symbols of all Europe, and thus weakness or lacking of European identity⁹.

In such a situation it is getting harder for societies of rich North-Western Europe to find justification for paying for “Europe”, especially for the “corrupt” East and the “lazy” South. This atmosphere influences politicians responsible for cohesion policy and other transfers within the EU, forcing them to reduce transferred funds and to tighten conditions of transfers.

Declining ability and willingness of the EU to continue its cohesion policy is only a part of what some politicians and analyst call the overall crisis of the “European project”¹⁰ threatening the very existence of the EU.

4. INERTIA AND INTERRELATIONS IN THE EU: A HOPE FOR COHESION POLICY?

The above discussion doesn’t suggest that an end of the EU or an abrupt cancellation of cohesion policy and related transfers can be expected in the near future, for instance in the next financial perspective 2014-2020. There are two factors that allow continuation of the EU and of its cohesion policy: inertia of the decision-making mechanism in the UE and interrelation of EU countries.

The first factor means that EU institutions are not able to take bold, dramatic decisions. Cancellation of cohesion policy would be such a bold, dramatic decision. More suitable to the EU decision-making mechanism are small steps gradually changing amounts, directions and conditions of flows of money, and competences of institutions managing the funds.

Another element in favour for maintaining the EU and its cohesion policy is awareness of inter-connections between EU countries and the fear of governments of adverse effects of a possible cancellation of these policy (let alone the disintegration of the EU) not only for recipient countries but also for their partners (for instance in form of uncontrolled immigration).

⁸ Some observers speak even of “the European clash of civilisations” See e.g. Leonard 2011, p. 2, Kundnami 2011

⁹ German historian and researcher of “memories of nations” Stefan Troebst points out to the lack of positive symbols of Europe. He underlines that no event in the history of European integration (such as victory over fascism in 1945, inauguration of the European Economic Community, democratic transformations in Central-Eastern Europe after 1989, eastern enlargement in 2004/07, etc) is regarded in the same way by all European nations. As he states, instead of one “European memory” there are various national memories. These diverging memories, in his opinion, influence functioning of the EU also in the “real” sphere. As an example he quotes the case of Nord Stream gas pipeline and different attitudes of Germany and Poland towards it. See *Eine schmerzhaft* 2009

¹⁰ This is, for instance, the opinion of the Polish president Bronisław Komorowski: see Komorowski 2011. In his opinion, this crisis must be overcome, and the only way is to strengthen integration of the EU.

It should be stressed, however, that the EU in general and its cohesion policy in particular, face serious challenges.

5. CONCLUSIONS

It seems that the golden era for cohesion policy, understood as support for less developed regions and countries in the European Union, has come to an end. The main reason is the declining ability and willingness of the richer countries to transfer funds to the poorer ones. The first (declining ability) is a result of the financial crisis forcing governments of member states to cut budget expenditures and to find funds for other purposes, first of all for bail-outs for indebted eurozone countries and banks. The second (declining willingness) stems from the (re)discovered cultural split of Europe, the (re)discovered “otherness” of recipients of EU funds (in fact rich countries’ money) - “corrupt” Easterners and “lazy” Southerners, and from the lack of sense of European unity. This declining willingness is expressed the most by societies in rich north-western countries, that their politicians can no more ignore, especially after the “populist turn” of 2005.

The sluggish mechanism of decision making in the EU and the awareness of interconnectedness of EU economies and the fear of adverse results of an abrupt cancellation of cohesion policy for both recipients and net contributors make the EU refrain from such a decision. Instead, an evolution, or erosion, of cohesion policy can be expected, consisting in diminishing funds and combining cohesion with other purposes (disciplining debtor countries, environment protection, competitiveness, R&D etc.).

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