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# Beyond Cooperation Failures: How European Crises Make the European Union Stronger

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*“History is just one damned thing after another.”* This is how Winston Churchill, echoing the historian Toynbee, described all of European history in only eight words. Today, I am afraid the history of European integration cannot escape a similar description.

The European Union sprung out of a major continental crisis, the Second World War, and since then, it has taken steps forward not by following a predetermined plan or strategy—Europe has historically proven that it is not a good planner—but by responding to emergencies and uncertainties. Today, the EU finds itself once again at a turning point: it will either proceed to a sincere deepening of its integration process so its member-states can manage collectively the global challenges they face, or it will allow the forces of unilateralism and populism to lead the EU to institutional stagnation, and then disintegration. This critical decision is to be made today, not delayed until a period of political tranquility. It must be made under time constraints and in the context of dangerous crises.

Today, the EU manages its integration process not by following a linear incremental plan, but by synthesizing a multi-level and simultaneous response to a wide range of bigger and smaller emergencies. These range from the financial and refugee crisis to Europe’s self-defense from terrorist attacks and regional conflicts to institutional complexities like “Grexit” and “Brexit.”

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A pessimist layperson's first impression might be that the EU's inability to cope immediately and decisively with these issues—its debt crisis, the increasing flows of refugees, terrorist attacks, energy dependence on antagonistic actors, the rise of populist forces, the societal strife, and, finally, the difficulty of the EU to deliver on the promise that a more integrated Europe means a better quality of life for European citizens—could provide a sufficient framework for a gradual (or even sudden) disintegration. However, before siding with the pessimists' camp, it is important to distinguish the noise from the signal. A closer and more careful observation reveals that, despite the noise of these difficult events, in these last few years of the Great European Crisis, the EU has signaled its strength by taking institutional steps that no one believed would be possible even five years ago.

In this moment of danger, the EU clearly responded that it would not allow its period of great crisis to end up in great disintegration. Contrary to expectations, Brussels undertook the responsibility to transform the crisis dynamics into a momentum of institutional and organizational change.

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The list of the institutional developments is impressive. Europeans put in place a permanent mechanism for dealing with the immediate and mid-term member-states' financial difficulties; they structured a Banking Union with a common macro-prudential and resolution regime, expanded the authority of the European Central Bank, and created *ab initio* the necessary framework for a common fiscal and tax policy. By doing so, they gradually shifted from a mere monetary union to an extended economic union. They also created the Capital Markets Union, the Energy Union, the Digital Market Union, and they accelerated the functioning of the Common Foreign and Security Policy. Texts like the "Report

of the Five Presidents" and "The European Union in a Changing Global Environment" provide us with clear illustrations of the EU's willingness to make significant steps forward, and contradict the impression that the Union is slowly disintegrating.

Contrary to the negative impressions held by the public because of the constant and prolonged disagreements, disputes, and indecisiveness of the EU to understand the dangers it faces and to act promptly, Brussels managed to prove its resilience in the end. Thus, the question is not about whether the EU will, in the end, do the right thing. The problem is different: it is first, what causes the EU to delay so much in doing the right thing; and, second, how does this delay create centrifugal forces at the governmental level for the member-states, as well as societal mistrust at the level of the citizens?

### THE CRISIS RESOLUTION PATTERN WITHIN THE EU

From the experience I have gained as a member of the European Parliament, I believe that in order to understand and reply to these questions, we must realize how the constant crisis management that the EU finds itself in the last few years—Churchill's "*one damned thing after another*"—creates a crisis response pattern, and how this pattern unfortunately replicates itself.

The EU's crisis response pattern goes like this: the EU institutions investigate and monitor a problem almost upon its emergence, but they never act at the beginning phases of the situation. The lack of decisive response in the first phase of a crisis augments the problem, which cannot be hidden indefinitely and will sooner or later reveal itself. This triggers a heart breaking discussion, in which member-states who are less affected by the problem try to avoid any engagement by delegating the responsibility to the member-states who are more affected, all while these states advocate for collective response. At this point, the discussion itself (on top of the crisis) decelerates the dynamics of the institutional cooperation between the member states in the EU.

This procrastination and institutional filibustering leads to the shallow strategic engagement of the EU. The EU's anemic involvement is rarely enough to reverse the dynamics of the crisis: once the crisis hits a member-state directly, it is already too late. The interconnectedness of the member-states transmits the problem to the immediate neighboring member-states, bringing about crisis contagion and accelerated panic. Now, the discussion is not about whether the problem is big enough to require a collective action, but is rather about what action should be taken and how much each member-state will contribute to its required resolution. In this stage, the less affected member-states propose fewer and less costly measures, whereas the most affected member-states require a massive response. In the meantime, the problem becomes bigger and bigger, while the crisis resolution is still irresolute.

At this point of full-fledged crisis, both member-states and national populations are disenchanted by the delayed response of the EU, causing the European people to demand action. This demand causes stress for individual governments, who feel compelled to act immediately in a unilateral manner to show their decisiveness to their constituents and to minimize both the consequences of the crisis as well as the costs of the crisis resolution. The unilateral behavior of each member-state further enlarges the gap of cooperation and delays even more the undertaking of the collec-

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 tive action that is necessary to resolve a crisis in a timely, efficient, and comparatively less costly manner.

This is how the EU works in practice when it faces a crisis. We can also say that, to some extent, the EU is responsible for the crises it faces, simply because it does not act in a timely manner to resolve problems before these transform into full-fledged crises. This pattern emerges again and again, no matter how big the issue at stake is, or how complex the situation becomes. It illuminates the dynamic in which cooperation failures augment and protract a

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#### HOW AND WHEN EU COOPERATION FAILURES EMERGE

The EU financial crisis and immigration crisis provide two enlightening examples of how the lack of cooperation protracts crises and increases their costs. Both cases have made headlines in world news and triggered passionate debates and lengthy analyses. Both cases illustrate how EU institutions and its member-states failed to follow the famous Robert Axelrod's advice that cooperative behavior, even in conditions of high uncertainty, compensates higher than non-cooperative behavior.<sup>1</sup>

Scholars of game theory, alliances theories, and international regimes theories have created a long list of types of collective action failure, all under the name of "cooperation problems." As an EU official, I regret to admit that the European Union is not immune to the problems described on this

list. Thus, it is paramount to understand what kind of cooperation problems occur both in the initial level of a crisis and the resulting escalation.

Though cooperation problems may appear in any stage of a crisis, some types are more likely to appear at the beginning, undermining the dynamics for a prompt and immediate solution when the problem is still comparatively small, whereas other types are more frequent in later stages and undermine the decisive implementation of the crisis resolution policy. The EU often meets cooperation problems that emerge from major member-states' attempts to reinforce their own norms by imposing them upon the EU institutions and other member-states. With certain actors attempting to impose an institutional preference change, this norm reinforcement has high impact.

The most enlightening example of this type of problem in the early crisis response level comes from Germany's fierce resistance against any plan to resolve the financial crisis through a permanent financial stability mechanism. By insisting that the Union faced a liquidity crisis and not a solvency crisis, the Merkel government delayed efforts toward a decisive and dynamic resolution to the EU's debt crisis. Moreover, Germany and the like-minded member-states asserted that the debt problem was a fiscal issue that had to be addressed by the taxpayers, not a financial issue that could be resolved with the participation of the sovereign debt holders. This position, which reflected deeper ideological and cultural views, restricted the available political and economic options in the early stages of the crisis in 2010, inhibited the creation of a permanent stability mechanism from the very beginning, and delayed for two more years the necessary "haircut" in the sovereign bonds of the indebted member-states. This, in turn, ruined these member-states' productive capacity and denied them an earlier recovery, because of the subsequent implementation of a severe fiscal consolidation program and a violent internal devaluation procedure.

Similar norm reinforcement attempts delayed the quantitative easing program (QE) of the European Central Bank which—until the initiation of the European Funds for Strategic Investments Program just a year ago—was the only major economic actor in the EU implementing some kind of expansionary economic policy. This norm reinforcement, and the reactions it generated in EU decision-making, reflect more the ideological biases and cultural rigidities of certain member-states with high influence in the European forum, rather than a prioritization of policy options following a rational cost-benefit analysis. This type of cooperation problem manifests itself in every major (or minor) economic issue and tends to signify the so-called "North-South" division within the EU.

Differences in the established decision-making norms between the member-states provide fertile ground for more cooperation problems when the EU faces an emergency and an uncertain future. Not all member-states share the same (un)certainty about the future. Member-states are reluctant to align themselves early with their counterparts in a predetermined course of action, simply because they fail to anticipate the consequences of their cooperation. In a highly uncertain environment, they are not sure about how their actions, or the actions of the others, will affect them in the future, even if they have incentives to cooperate. Similarly, cooperation problems arise when there is uncertainty about the preferences and motives of others. This is a major reason for delays in the responses of the European Banking Union, the EFSI, and the Energy Union negotiations. The first organization delayed the responses of the EU on the topics of the early strengthening of the financial sector with the necessary bail-out and bail-in mechanisms; the second delayed the early approval of an expansionary economic policy necessary to restart the real economy sector; and the third evidenced the institutional weakness that the EU showed to the Crimean Crisis, due to varying levels of dependency on Russian energy resources among member-states. Those differences explain also the unanimity (or lack thereof) of the EU member-states in the implementation of the sanctions imposed on Moscow following the annexation of Crimea.

Another enlightening example of a cooperation problem in the early stage of an emergency comes from the immigration crisis. In this case, member-states have been reluctant to commit themselves to an action plan, not only due to uncertainty about the future, but also uncertainty about whether cooperation and commitment today would preclude having their needs met in the near future. This is a time-inconsistency problem. A solution appropriate to today's parameters—for example, the approval of a collective policy aiming to distribute refugees in every member-state on a *pro rata* basis—could be a good option as long as the absolute number of refugees is certain and the population flows steadily reduced. If, however, this policy worked as a signal that encouraged the refugee populations currently concentrated in Turkey to move to Europe, both the population flows and the absolute number of the people who must be relocated to every single member-state would increase. This explains why Germany's initial policy to welcome refugees at the beginning of the crisis led to the actual and vocal opposition of member-states like Hungary, Slovakia, and the Czech Republic, and escalated the tension within the EU, postponing any hope for a prompt collective action.

By the time EU member-states realize that early cooperation avoid-

ance does not resolve the problem, but instead increases its tension and the costs, it is already too late. The problem is, however, that the rising crisis cost also increases the costs of cooperation once the EU reaches the crisis confrontation stage.

The most frequent cooperation problem that the EU faces during the confrontation of a crisis is that of distribution. Every member-state desires to benefit from collective action while .....  
 contributing as little as possible. This is  
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 a major problem when a crisis confron-  
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 array of different options. For example,  
*late.*  
 during the formation of the EU Fund  
 to financially assist Greece, Portugal,  
 Ireland, and Cyprus, even though every  
 .....  
 member-state had an incentive to contain the contagious effects of the  
 financial instability within the EU, each and every one strove to reduce  
 its contribution. Similarly, the financial assistance to Turkey for Ankara  
 to control the immigrant flows to Greece and the Balkan corridor caused  
 many (understandable) protests.

Even still, the distribution problem is not the most concerning issue Brussels must face in the confrontation of a crisis. By far, the most dangerous cooperation problem is how to enforce the course of action for crisis resolution once it has been collectively decided upon. The enforcement problem emerges when a member-state finds that it is preferable to 'cheat' to advance its goals better, even if cooperation is desirable. The textbook case of cheating from the recent past comes from the so-called Visegrad Group (Czech Republic, Hungary, Poland, and Slovakia) as well as Austria, in relation to the refugee crisis. Even though the EU agreed collectively on a certain course of action, so as to contain the immigration flows to the European territories and ameliorate the situation, the Visegrad Group, Austria, and the Former Yugoslav Republic of Macedonia decided to unilaterally close their borders and block the Balkan corridor to refugees. In doing so, they isolated the problem to Greece, *de facto* suspended the Schengen Treaty, and increased the likelihood of a humanitarian crisis.

Finally, the most difficult type of enforcement problem is the 'deadlock,' which is also the most extreme cooperation failure. A deadlock occurs when each member-state completely ignores the decisions made at



the EU level and instead acts according to its own preference. Thankfully, neither in the period of the European financial crisis nor in a regional or foreign crisis has the situation ended in deadlock, and even the Greek bail-out negotiations and the Greek referendum did not result in a deadlock. Similarly, in the complex and delicate negotiation between Brussels and London regarding the “Brexit” referendum, all parties involved have tried to build an acceptable framework so as to minimize or neutralize any outcome of the British referendum concerning the future of UK in the EU.

### THE REQUIREMENT FOR BETTER GOVERNANCE

Axelrod’s model of cooperative behavior taught us that the more cooperative player gets further and ends up in a better position in the long-run. This is true. However, the short-termism, populist pressures, citizens’ immediate demand for action, and the cognitive pressures that compel us in times of crises to act immediately do not help politicians make better decisions, especially in the crisis confrontation phase. “In the long run we are all dead,” warns Keynes, but still it is the politician’s responsibility to realize that, in most of the crisis periods, this Keynesian “long-run” is actually now.

The EU is a lively institution comprising many interrelated organizations, bureaucracies, and twenty-eight different member-states with diverse

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opinions and distinctive priorities. This is easy to calculate. We have 500 million opinions on each subject and problem: one opinion (at least) per European citizen. The diversity of possible ideas and political views cannot be accommodated in one course of action. This truth is apparent in a very painful way whenever the EU faces a severe crisis.

In the face of this diversity, what has made the EU work so far? The answer to this question highlights the need for a good governance method.

We need a governance method not just to make the EU work well, but to make it work well for everybody. Institutional governance is not only about the way that EU makes collective decisions; it is also a requirement for institutional development. Every institutional leap of the EU so far has been a



response to a major crisis, and this is not a coincidence. European integration represents the collective effort of Europeans to deal with the challenges they face, and today's global challenges are too costly and complicated for a single country to deal with alone. There is a real interest in collective European effort. Whenever we forget this, reality comes and reminds us what we have to do—to stop listening to noise, and to focus on the signal.

It is not possible to transform Europe into a crisis-resilient entity, nor is it desirable. Too much certainty and reassurance inhibits growth and the potential for further development. The EU's cooperation problems are only symptoms that indicate that we need to evolve our governance method further. This is the reason why the EU's response to the crisis involved more, rather than less, of Europe. For Europeans, a crisis is not an undesirable noise that moves us out of our temporary comfort zone. It is a signal to move forward. It provides the shift we need from a relatively shallow level of coordination to a deeper governance method of actual harmonization.

In governance by coordination, member-states agree more or less on what direction and goals they want to collectively achieve, and then coordinate their policies in such a way so as to achieve their ends. Their action at the state-level is decentralized and the regulatory framework is driven by directives that the member-states use as a compass for their policies. In harmonization, on the other hand, member-states collectively decide what policies and goals they want to pursue, and then try to achieve these with centrally determined rules and practices. This method of governance is driven not by directives but by strict regulations. Without analyzing the pros and cons of these governance methods, it is still extremely important to strive for maximum harmonization on a few critical subjects. This will allow us to achieve a working federalist structure on vital issues such as security and defense, access to resources, common international representation in international fora and agreements, and, of course, a common economic and regional development policy. Ninety-nine percent of the crises that Europe faces constantly are more or less related to these five fields.

Having a harmonized pattern of political response on these categories of emergencies will not help the EU immunize itself completely from the risks, uncertainties, and ambiguities of the future, but instead will allow us to deal with them in a timely, efficient, and decisive manner. It is time for the EU to take a step forward. We must not allow internal and external audiences to predict the end of the Union every time Brussels needs to address a crisis, whether major or minor.

## CONCLUSION

First, the cooperation problems that undermine the crisis resolution policies of the EU are natural symptoms emanating from the existing level of European integration. We can describe, explain, and understand them; they are easily visible, and there is no need for us and our allies to be

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..... afraid of them. Second, the multifaceted crises that Brussels has faced over the last seven years by no means imply that the EU is entrapped in a process of institutional disintegration. Rather, the opposite—Europe uses these inconvenient circumstances and misfortunes to evolve by deepening European integration. Third, cooperation problems that emerge at the initial and confrontation stage of a crisis for the EU can be addressed by further harmonization in the governance method of decision-making. While this will not guarantee the EU absolute security or absolute crisis resilience, these are not necessarily desirable. Harmonization will, however, allow the EU to respond to frequent types of crises decisively, appropriately, and efficiently—thus saving time, resources, and reputation for Brussels and every other European capital. *f*

## ENDNOTES

- 1 “The Evolution of Cooperation,” Robert Axelrod and William D. Hamilton, *Science*, New Series, Vol. 211, No. 4489 (March 27, 1981), pp 1390-1396.