



AUSTERITY OR GROWTH? EUROPE AT THE CROSSROADS

1. The EU seeks a politics of its own

Over the past couple of months, the Austrian and Belgian press have focused on a number of questions that are important for Europe: from the sixtieth anniversary of the Schuman Declaration (9 May 1950) (1) to elections in Great Britain (2) and the Netherlands (3); from the G20 in Toronto (4) to the redefinition of Turkey's role in the Middle East (5). But the lion's share of the coverage went to the economic-financial downturn and the consequences of early elections held on June 13.

Concerning the first topic, the new development is a decision made on 9 May by the 27 to establish a fund of 750 billion euros to stabilise countries at risk, starting with Greece. Some observers have said that the move will save Europe and that, after a three-month delay caused by German obstructionism (6), Europe has finally shown some leadership; on the other hand, others see it as a sign of panic which is destined to reinforce the sense that Europe is out of control and to encourage the recurrence of speculation (7). Jean-Paul Fitoussi is right when he says that the EU's decision "resolves all and nothing at the same time: 'all', because the plan asserts the principle of budgetary solidarity between Eurozone countries, setting a barrier against speculation; 'nothing', because the Eurozone is still without economic governance and the decision still being the result of an ad hoc agreement between heads of state and government, it has no "constitutional" value (8).

But the vital question now is about whether to opt for austerity or growth. If we look at the chain of events leading to the current Eurozone crisis, we observe that they began with the American subprime crisis. It was there that a systemic crisis began that engulfed the entire global capitalist system. The US administration responded with a major state rescue plan to save the credit market, which resulted in higher levels of debt. But toxic products have no borders and unsafe credit given by the banks led to loss of trust on the markets, and Europe became the second epicentre. This is the background of the Greek crisis, and it shows the risks not only of excessive state indebtedness but also of

speculation that targets the sovereign debts of individual countries making it difficult for them to finance themselves on the markets. Europe's response, which is based on the need to reduce debt by cutting public spending, carries severe risks for economic growth and unemployment, with recession becoming full-blown depression (9). The final outcome of this process might be deflation, which, by compressing demand, will squash the growth which alone can guarantee the revenue to restore finances.

The stress test recently introduced in the Eurozone has so far split Europe: on the one hand, the advocates of cleaning up public finances and fiscal discipline, led by Germany; on the other, the supporters of a compromise between balancing accounts and supporting growth, who are led by France and are open to the American model. The latter option clearly factors in solidarity between EU states and a convergence between their fiscal and economic systems. It posits greater European political integration as the necessary condition for the long hoped-for economic governance (10). The fundamental problem remains the weak growth of Europe's economy compared to that of the United States and, above all, to the those of the emerging economies, with the risk that the Old Continent will be further sidelined on the international stage (11).

2. Elections in Belgium and the unknown quantity of a half-presidency

The Belgian elections on 13 June were in some respects a foregone conclusion, in others unexpected. The nationalists of the New Flemish Alliance (N-VA) led by Bart De Wever were expected to win, for instance, but not by such a high margin (28.3%). Equally unexpected was such a clear win for the socialists (PS) in Wallonia (36.6%) (12).

The only political formula with the majority, on paper at least, required to implement the much needed reform of the federal state is the so-called *coalition calque*, which mirrors regional majorities at federal level, namely the Brussels-Walloon Olivier (cdH, PS, Ecolo) and the Flemish coalition (CD&V, Sp.a, N-VA), an alliance between Flemish and Walloon Christian-democrats and socialists, Walloon (perhaps Flemish) greens and Flemish nationalists (13).

King Albert II has nominated De Wever to be his "informer" and has given him the task of sounding out the chances of forming a federal government, but

he will soon have to nominate "former", in other words a genuine candidate for the leadership. Constitutional procedure requires the winner of the elections to form the government, but it is not even clear whether the 'winner' should be the party that polled the most votes or the political family with the largest representation in Parliament: in the first case, the winner would be the N-VA, which has one seat more than the socialists (27 against 26); in the second, the socialists, who, by summing the votes polled by the PS and their Flemish counterparts, achieve a total of 39 seats. Elio Di Rupo could therefore become the first French-speaking prime minister in thirty years (14).

The election campaign was dominated by "community"-related themes, whereas the economic crisis remained in the background. It might be more correct to say that it was played out in a nationalistic vein, since De Wever's core gambit was a stop on the flow of resources from the North to the South, his main argument being that it is not in the interests of Flanders to remain in a country that has the third largest public debt in Europe. Therefore, it all hinges on De Wever's willingness to seek an agreement with the French speakers on state reform, as well as two other hot issues: the bilingual constituency of Bruxelles-Hal-Vilvorde, which the nationalists wish to break up along strictly "territorial" lines and the Walloons wish to preserve in order to safeguard the "individual" rights of French-speaking residents, and the Brussels region, which the nationalists want to downgrade to the status of a "federal district", against the wishes of the French-speaking population. There was, however, some talk during the election campaign of a "plan B", according to which the Brussels region would be incorporated in Wallonia (15).

Throughout the election campaign, De Wever spoke of the "evaporation" of Belgium as the necessary outcome of any further breakdown in talks. In his first statements following his victory, however, he mitigated his tone, speaking instead of an "outstretched hand" to the French-speaking population and the need to reach a "general consensus" on guidelines for state reform (16). It is interesting to see how claims to a greater fiscal and social competence in Flanders goes hand-in-hand, for the N-VA, with manifest pro-Europeanism, something which is unique among European populist parties. The nationalists envisage a double "evolution" for Belgium, corresponding to a double "devolution" of powers towards an independent Flanders, with the transfer of federal powers from top down, and from the centre to the periphery, and

towards the EU from the bottom up, from the federal state to the EU. As a result of this double movement, Belgium would come, over a long period of time, to “extinguish itself”. The most credible picture in the short-term, however, would be a confederation of Flanders and Wallonia, or a “minimal federalism” (17). Indeed, De Wever thinks that the price of Belgian federalism is not cost-efficient for Flanders and that Belgium is too small and too heavily indebted to constitute an added value capable of generating a centripetal force of attraction. The paradox, as so effectively illustrated in *Le Soir* by Gaëtane Ricard-Nihoul of Notre Europe, is that, even if Flanders one day gains independence, they will still be supporting Wallonia through European structural funds (18).

This is the background to Belgium's taking over the semestral presidency of the EU Council. The paradox is that the leadership of a Europe seeking greater political cohesion is given to a country in which centrifugal forces are undermining unity and where the government of Yves Leterme is in office only to deal with “contingent issues” (19). Belgium's priority will probably be to give space to Herman Van Rompuy and Catherine Ashton, allowing them to implement their respective institutional roles (20). The risk of a Belgian half-presidency diminishes according to the degree to which Ashton's role in the new architecture of the Union is scaled down, but it is also the case that never before has there been such a need for a clear sign in favour of a stronger “community method” and a reversal of the sovereignist and nationalist tendencies which have prevailed in recent months. Furthermore, as Van Rompuy points out, the semestral presidency “has a powerful symbolic value because it brings the population closer to the idea of Europe” (21).

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- (14) D. Coppi, V. Lamquin, *Elio Di Rupo sera-t-il Premier ministre?*, Le Soir, 16-06-2010.
- (15) V. Lamquin, *Plan B: une Fédération Wallonie-Bruxelles*, Le Soir, 10-06-2010.
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