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**W**ith the Bulletin on European Affairs, ENA Institute for Alternative Policies opts to take part in the public, and often controversial, debate on European affairs. The Bulletin will be issued twice a month, within the wider context of the Institute's activities.

In accordance with the principles of ENA's Founding Declaration, the Bulletin on European Affairs will not stand politically and socially neutral, but will seek to explore responses to the diverse challenges of our time for Europe.

The fundamental question that motivated the decision to create the Bulletin was not the often postulated "more or less Europe", but "what kind of Europe do we want" and how can this be achieved.

The economic crisis has been a catalyst for the further removal of the European Union from its institutional and social acquis. The dominance of a technocratic policy and economic orthodoxy, strips the EU project from its democratic functions and raises anew the question of legitimacy in terms of urgency. At the same time, with the outbreak of the refugee crisis, the questions of humanism, solidarity, tolerance and pluralism, which have been promotional factors for the people of Europe to agree towards a progressive direction, are now regarded again as objectives, even more urgent.

Ideas are plenty, opinions are constantly expressed, European elites are pondering on answers, which, however, appear to be unable to approach the crucial question: What do we think today of tomorrow's Europe? A Europe, which will deepen its democratic dimension, regain the trust of its citizens, give pride of place to its social character and effectively deflect the divisive rhetoric of the far-right threat.



On the basis of the above, the 1st Bulletin on European Affairs focuses on issues of increased interest; their progress, nevertheless, is expected to affect the future of Europe:

- The stakes in the German elections and the electoral process are beyond the limits of the German territory and determine the future of the Union.
- The arising transformation of the European Stability Mechanism into a “European Monetary Fund” is a fact that, if it takes place, far exceeds the narrow Greek interest, but puts European integration on new bases.
- The fall development of the French President’s venture will be, along with the German elections, one of the cornerstones of Europe’s course in the coming years.
- The possible crisis in Spain, on the occasion of the Catalan’s demand for independence, may have been a silent, until a while ago, “powder keg” not only for the Iberian country but for the entire European Union structure as well.
- The way refugees and migration flows will emerge, as well as the way the EU, the first host countries, the other Member States and Turkey will address the issue, will show whether Europe will exceed one of its two crises or whether there will be a new spin with unknown outcomes.



**J**ust a few days before the German elections, their European stakes have become clearer and no longer have the dramatic character attributed to them until some time ago, that is, Berlin's insistence on entrenching the status quo in the Eurozone or changing the European course.

Today, all messages point to the fact -also confirmed by a careful reading of Merkel's statements- that Germany accepts, in principle, Macron's proposals for the political framework of Eurozone. Now, the challenge is to form the government coalition under the leadership of Angela Merkel. Will it be a coalition of Christian Democrats and Social Democrats? Will the SPD remain in the government or choose the role of the main opposition? If the latter happens again, the question is whether the Liberal Party is emerging as a junior government partner, returning to the federal parliament after four years of absence. In both scenarios, the participation of the Green Party as a third government partner continues to be a likely variable.

In addition to the Social Democrats' pronounced verbal differentiations from Schäuble's policy regarding the Eurozone, the future of European integration is not the main issue in the election campaign and shows less presence than in 2013, as it is also the case with the refugee issue.

A key point of controversy in this election campaign is Merkel's leading credibility and reliability as a personality that creates a sense of security towards internal and external challenges, as well as the established by now weakness of the chancellor candidate of the Social Democrats, Schultz, to convince that he can keep the country's steering wheel in tough times.



A careful reading of Macron's proposal and his recent speech in Athens allows us to realize that all of his proposals for a Finance Ministry, headed by a Eurozone finance minister, which will draw up a common budget to be approved by the Eurozone Parliament, are fully compatible with the spirit and letter of the two past German proposals to deepen European integration. The proposals on the spot are the Lamers-Schäuble document of 1994 and the proposal of Fischer, the Foreign Minister at that time, for a European constitution in the spring of 2000.

In other words, Germany may be pressured, but also concerned about whether it should restart the dynamics of European integration -which was initially blocked by the referendums in France and Netherlands in the spring of 2005 when the Constitutional Treaty was rejected, and then after 2008-2010, when Berlin refused further deepening- to address both the global financial crisis and the Eurozone crisis. The restart, however, suggested by France, finds, in fact, the lost thread with previous German proposals.

It is clear that the election thrillers in Europe -from Brexit, the elections in the Netherlands, culminating in the elections in France- and the rise of Euro-scepticism in Italy, Netherlands and elsewhere, have obviously convinced the German political elite that it cannot settle with the current status quo of rigid austerity and the management of the single currency outside any legitimacy of national and European sovereignty. The question, then, is not whether a comprehensive negotiation will take place regarding the future of Europe, but if its restart is enough to ease the unprecedented social and political dissatisfaction in the Eurozone and the EU. It goes without saying that Merkel's room for manoeuvre in the European negotiation will be much larger with the Social Democrats as a government partner, who constantly distinguish her from Schäuble, who almost accepts their fires, and much smaller with the Liberals as a government partner, who will be forced to take day-to-day examinations for the voters who chose them as the most desirable choice from the Eurosceptic and xenophobic Alternative for Germany.



**W**ith the International Monetary Fund appearing to increasingly move away from Europe, the prospect of creating a European Monetary Fund (EMF), through the transformation of the European Stability Mechanism (ESM), seems to be getting closer.

Although the full participation of the IMF in the Greek programme is reaching the home stretch, the issue is still pending. Under these circumstances, the Fund is expected to become a past for the Eurozone, since it appears that it will not take part in future bailouts.

“When the next crisis breaks out, which I do not foresee in the near future, it will probably be dealt with without the IMF. So ESM will, in this respect, have extended powers and can expand its authority,” Klaus Regling, head of the ESM, stated last June, announcing the IMF’s divorce from Europe and the successive situation to be set for emergencies.

### Merkel says goodbye to the IMF

Introducing the campaign programme of the CDU/CSU alliance on July 4, in view of the September 24th federal elections, Angela Merkel officially spoke about the possibility of creating a European Monetary Fund, based on the European Stability Mechanism.

This was a turning point for the Chancellor, considering that since the beginning of the Eurozone crisis in 2010, who made the IMF involvement as a prerequisite for bailouts. However, now things have changed.

Angela Merkel is in favour of a European Monetary Fund, with Emmanuel Macron agreeing with this option, in the context of the arising institutional changes in the Economic and Monetary Union. The French president also confirmed his position during his visit to Athens, making insinuations against the IMF. At the same time, the European commission president, Jean-Claude Juncker, seemed to be in favour of the gradual transformation of the ESM into a European Monetary Fund during his speech to the European Parliament regarding the future of the EU, adding that the Commission will present relevant proposals to the European Parliament the following December.



## Grey area and critical questions

Most aspects of the EMF have so far been unknown, since the information that has come to light is mainly due to leakages by European officials, which raises a number of reasonable questions:

- Will the EMF be an intergovernmental -like the ESM and the IMF- or a European institution with greater European legitimacy?
- Will the EU Treaty need to change?
- How will the democratic accountability of the new institution be safeguarded so that there is no new Eurogroup case, which is barren of transparency, control and accountability?
- Will it deal with debt and bank crises or will it also aim at improving the economic conditions of the Member States through development actions and regulation?

Concerning the latter question, it is not by chance that the German newspaper Bild published on August 23th that the German Finance Minister Wolfgang Schäuble plans to provide financial assistance to southern Europe, aiming not only at the Member States bailout, but at progress as well. Of course, the most important point was that there would be a bargain: That is, a guarantee, through the ESM, of broader and closer oversight of the budgets of the Eurozone member states.

The latter point forms a key issue for the character of the European Monetary Fund and the future of the European Union's structure: Will the EMF assume the powers of the Commission's budgetary surveillance, giving it a virtually secondary role or will there be distinct fields of action?



Nevertheless, officials of the European Commission estimate that the part of the EU's budgetary surveillance will remain unchanged, with the Commission retaining its remit and the new Fund assuming powers to oversee the Member States following signs of fiscal problems. The position of Jean-Claude Juncker in the statements of the State of the Union on September 13th in favour of ESM's transformation seems to confirm the European Commission's assent on the necessity of its creation as well as the fact that the Commission is not expected to lose any powers. Therefore, if this is the case, the future bailouts are not intended to be managed exclusively by the EMF but in cooperation with the European Commission.

The concerns, however, expressed about the "European IMF" include whether a country's emergency bailout conditions evolve into a permanent regime of suffocating control and restrictions for all member states. Especially, if the new instrument is modelled on the IMF, operating exclusively with technocratic criteria, limiting the reasonable political dimension to decision-making and action.

In any case, the future role of the International Monetary Fund remains unknown, whether it is a partner or competitor of the European Fund, as well as how the Eurozone countries will move within the IMF- merging their shares in Washington and strengthening their position in the financial institution.

Still, all these questions are not expected to be answered, at least not before the German federal elections of September 24th and the announcement of the positions of Emmanuel Macron on September 26th.

The crucial point in the operations for the future of the European Union and the Eurozone is to have collective decisions that will respond to the institutional problems of the European structure. Decisions that will not put before the Member States a *fait accompli*, will not shape a *de facto* "Multi-Speed Union", but a Union of solidarity and equal burden-sharing that will be able to provide solutions to structural weaknesses, as well as fight the causes, which have created the centrifugal tendencies within the EU.



**T**he unprecedented European and international involvement of Emmanuel Macron coincides with a significant drop in his popularity by more than 10%. It is a sign of danger, which shows that the grace period for the new president of France may end abruptly and soon as it had happened to many of his predecessors in the past.

During the election campaign, Macron had committed to reform-structural changes, whatever the cost, as well as public spending cuts, so that France would cease to be a permanent violator of the Stability Pact. He had announced that he would take the above measures at the beginning of his term of office, not only to shield the country's credit-worthiness but also to give assurances and guarantees to Germany that the proposed Eurozone political framework does not mean relaxing budgetary discipline. As far as the reform of labour relations and the reduction of welfare allowances and benefits is concerned, the message to Berlin is that France makes, albeit belatedly, the adjustments imposed by Chancellor Schröder after 2002 with the "Agenda 2010" reform programme.

Macron's bet is clear. He imposes high-cost measures at the beginning of his term and expects the damage he will suffer to be manageable, in order to have enough time during his term of office to reap the benefits of the overall reform of the Eurozone he is promoting.

But even in its most optimistic version, the Eurozone's reform will require at least two years of consultation, opening up the possibility of destabilizing accidents during this period. At the moment, Macron's proposals for public consultation are vague and unclear, and, in addition, there is also the bad precedent of the assembly that drafted the Constitutional Treaty. It is, therefore, very difficult to imagine those who were dissatisfied by Macron's reforms and cuts to be satisfied with their participation in the negotiation of Europe's future.



Macron, who leads a new and heterogeneous political party set up as an election mechanism, is clearly more vulnerable to the deterioration of government management than his predecessors from the two historic partisan parties, the Gaullist Right and the Socialist Party. Of course, it can be objected that Macron and his party are free from the obligations and dependencies that characterize the old political parties, however, this is a hypothesis that remains to be confirmed or refuted in practice.



**T**he concerns about the impact on governmental stability that the return of Pedro Sanchez in the leadership of the Socialist Party in Spain might have, were outlined as a potential focus of crisis last June in Spain.

Sanchez, who was triumphantly re-elected with the votes of the party base, stepped down in October 2016, after a coup by the party's old guard, which was led by the former Prime Ministers González and Zapatero. After his removal, the formation of a minority government became possible by the People's Party - headed by Mariano Rajoy- with the parliamentary group of Socialists abstaining from the vote. Sanchez returned to the leadership with a clear commitment to disengage at the right time from the indirect support of the right-wing government and to seek dialogue on a platform for working with Podemos.

Although a possible collaboration between PSOE and Podemos could be very pressing for the government of Madrid, another more time-consuming issue has arisen. If the danger in June was the possibility of the Rajoy government dropping out and early elections, today's decision by the local government of Catalonia to call for a referendum on the independence of the region on October 1st leaves open all the possible risks of destabilising Spain with unpredictable shocks for the country's economy and its ability to borrow from the markets.

If in the past few months, it feels like Italy is a financial, fiscal and political accident waiting to happen, today a constitutional crisis in Spain, an obsession of Catalan nationalists with the unilateral secession and a frontal collision with the government in Madrid, may be the fuse not only for shocks in the country but also for a pressure domino on the weak links of the Eurozone and on Italy first.



**D**iscouragement, promotion of returns, screening outside European borders with the ultimate objective of intercepting the refugee and migration flows. This is the prevailing trend in the Member States of the European Union, a trend that is confirmed at all levels of European policy.

Despite the heavy burden throughout the previous “refugee crisis”, both Greece, which was and continues to be at the forefront, as well as Italy, which took the reins after the Balkan corridor was closed, are in danger of being trapped in an intermediary role and turn into a de facto permanent “embankment” in the effort of immigrant-refugees to move to mainland Europe.

## The EU approach

EU policy with regard to the immigration-refugee issue has now largely crystallised and aims to discourage as many as possible, mainly economic immigrants, from arriving in European countries. The question of security and the closed external borders - and internal, like the example of the enforcement of internal border controls in the Schengen area - is one of the main EU policies, while creating conditions that will prevent unhindered entry into the member states, which are traditionally the countries of first entry.

Thus, the main emphasis is placed on promoting returns (voluntary and forced) to those who do not have the right to remain on European territory, resulting in criticism by many sides who argue that the Union is moving away from the full and proper protection of human rights. Despite the proliferation of objections, taking into account recent terrorist attacks in a number of European cities -although terrorism is certainly not a phenomenon that arose after the refugee crisis- at present, no member state seems willing to deviate from this dominant trend.



This unanimity as to the ultimate goal of discouragement was also a prerequisite for the creation of the European Border and Coast Guard that was officially launched in October 2016. Similarly, this trend, which is reflected in the Union's general political attitude towards the refugee/immigrant issue, is also confirmed in the context of the negotiation of the new Dublin Regulation. This includes, amongst other things, the obligation of the first entry member states to complete an admissibility check (if formal conditions are met for examining the asylum application) before applying the "Dublin" criteria for determining the competent MS (pre-Dublin check), as well as the responsibility for the asylum seeker of the first host MS with the objectives of hindering flows in the first-line member states and creating a push factor.

## A Joint Greek-Turkish Declaration

The growing flows of refugees and immigrants combined with the gradual closing of the borders along the Balkan Corridor in the late 2015-early 2016, with the definitive closing of the border by FYROM in early March 2016, led to the entrapment of about 62,000 people in Greece. The EU-Turkey Joint Declaration on March 18th 2016 was the most important step in addressing the growing problem, contributing to a decisive reduction in flows from Turkey to Greece, although it is worth noting that the flows from May onward appear to be increased compared to the respective period of 2016. Nevertheless, since 20 March 2016, more than 35,000 people have entered the Greek islands, and currently around 14,000 remain there. In the context of the Declaration, more than 1,300 irregular immigrants have been returned so far. The low figure is due to the fact that the overwhelming majority of newcomers make asylum claims.



It is noted that Greece is among the four European countries with the highest number of asylum applications. Nearly 51,000 asylum applications were reported in 2016, with Syria, Iraq, Pakistan and Afghanistan as the four leading countries of origin, and more than 20,000 applications have been reported since the beginning of 2017. At present, the reception capacity is around 71,000 people throughout Greece.

Despite the fact that the Greek government is seeking to continue the collaborative efforts with Turkey on the implementation of the Joint Declaration, and despite the fact that Ankara also seems to want to keep it in force -at least pro-forma-, the easing of controls and incomplete implementation of the EU-Turkey Readmission Agreement remain potential sources of risk.

## Central Europe

At the same time, on the domestic European front, the relocation mechanism of refugees from Greece to MS was inadequately implemented, whilst recalling that the European Commission has initiated proceedings against Hungary, the Czech Republic and Poland for non-compliance with the Decision to relocate refugees from Greece and Italy.

## Western Mediterranean - Italy

At this time, as far as the refugee issue is concerned, Italy is in the spotlight receiving increased migration flows. On July 4th, the European Commission announced an Action Plan to support Italy by reducing pressure and strengthening solidarity in the Central Mediterranean. This plan was discussed at the informal Justice and Home Affairs Council in Tallinn and received wide support. However, despite the reasonable shift of interest to the Western Mediterranean, the Eastern Mediterranean, where the flows continue and no one knows how things will turn out in the coming months, should not be ignored.



## Preparing for the future

Many analysts argue that in the following years 200-250,000 people is expected to arrive on European coasts per year, as the factors driving these flows beyond warfare are both population growth and increased poverty in third countries of Asia and Africa. Of course, the fact that for these countries immigration is often an official policy should not be overlooked (see remittances and addressing the growing population).

In this context, the strategy of both Greece and other member states should focus on the best possible preparation for potential new large flows on the basis of strategic axes and with full respect for human rights:

- Use of incentives and disincentives for refugees and immigrants
- Effective returns
- Full integration of new populations into European societies



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