



**THE EUROPEAN UNION IN A BRAVE NEW WORLD:
The Never Ending Tale Of The Eurocrisis And The
Southern Periphery**

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OF UNIVERSITÉ DU LUXEMBOURG, 21 MAY 2012**

1

- **Introduction**

2

- **Delineating the Brave New World**

3

- **Reconstructing Economic Governance**

4

- **Centre-Periphery conflict?**

5

- **Southern Europe as Semi-periphery of Core EU**

6

- **Conclusions**

1

- **Introduction**

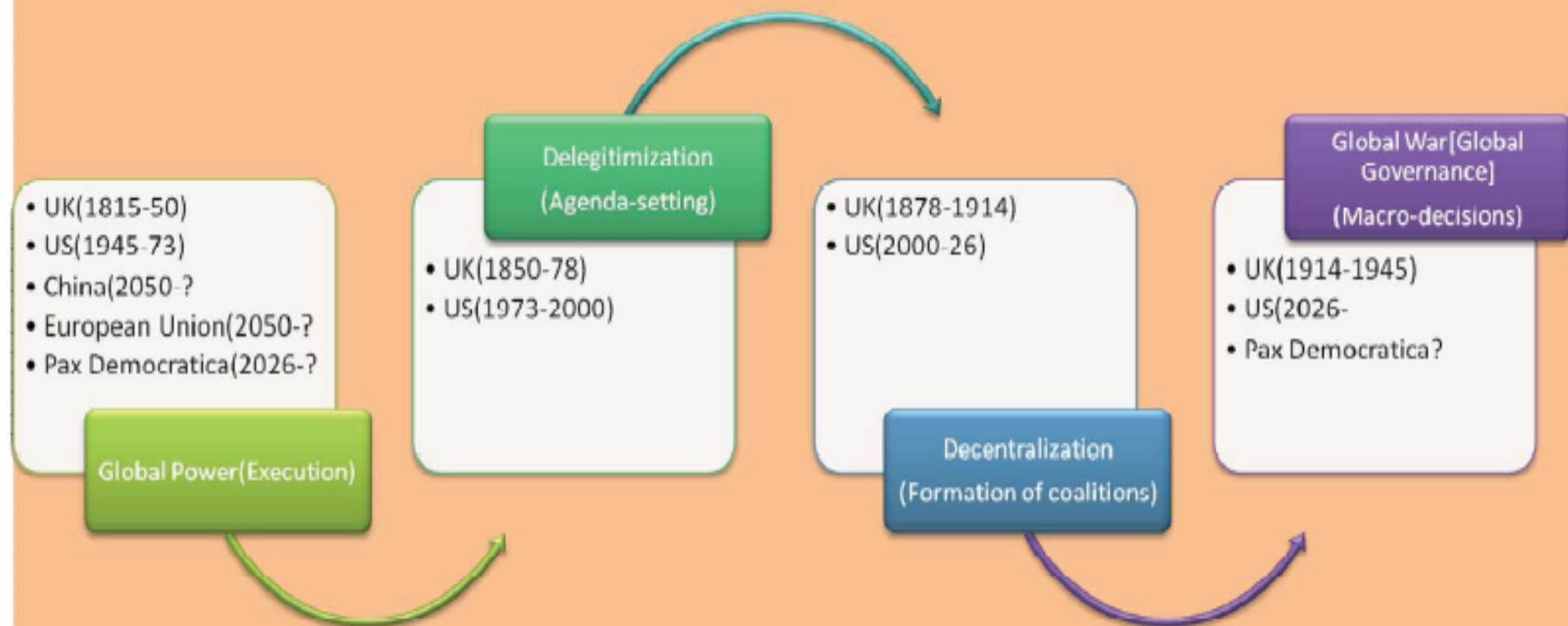
- Pax Americana in crisis

IR System until 2025

Global Governance System 2025-2050

- Pax Democratica
- OR
- Pax ????????

THE EUROPEAN UNION AND THE TRANSITION TO GLOBAL GOVERNANCE



THE EU IN DEEP TROUBLE NOT BECAUSE OF GREECE



**BUT BECAUSE IT IS NOT UNITED IN A GLOBALISED WORLD
IN TRANSITION**

```
graph TD; A[Chimerica] --> C((Three Scenarios)); B[Muddling Through] --> C; D[Democratic Global Governance] --> C;
```

Chimerica

Muddling
Through

Democratic
Global
Governance

Three
Scenarios

1

- Kleinstaaterei

2

- No bold vision as Europeans

3

- Competing as nation-states

1

- Chimerica as integration of China and US

2


- Large part of GDP of the world up to 40 percent

3

- Intertwinedness of both economies

4

- Propagated by historian Niall Ferguson in last chapter of *Ascent of Money*



• Pax
Americana
in crisis

IR System until
2025

Global Governance
System 2025-2050

• Pax
Democratika

2

- **Delineating
the New
Brave World**



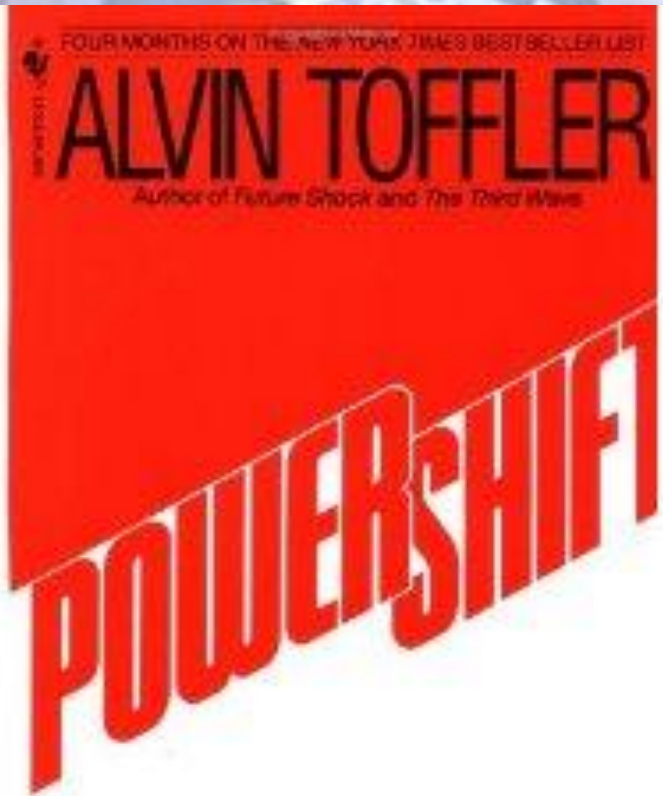
KARL POLANYI (1886-1964)
ECONOMIC HISTORIAN
THE GREAT TRANSFORMATION(1944)

Competition
State

Information
Age

Neo-
Medievalism

Great
Transformation
II



KNOWLEDGE, WEALTH, AND VIOLENCE
AT THE EDGE OF THE 21st CENTURY
DOUBLEDAY

The world is flat
Thomas Friedman

Democratization of power:
social networks and cyber
politics(Anonymous,
Wikileaks)

Knowledge

Restructuring of world
economy based on
research and development
, production of knowledge

New social movements:
Die Piraten

Information Age

- Social market economy
- Strong welfare states
- National time of the economy
- Public and private separation

- Neoliberal economy
- Workfare states
- Global time of 24/7 economy
- Acceleration of economic life

Trentes
Glorieuses





REAGANOMICS

"We told them the wealth would 'trickle down!'"





Philipp Cerny
Rutgers University

THE
CHANGING
ARCHITECTURE
OF POLITICS



Structure, Agency,
and the Future of the State

PHILIP G. CERNY

THE COMPETITION STATE

UK, Netherlands, Denmark, Sweden, Finland , Germany

1

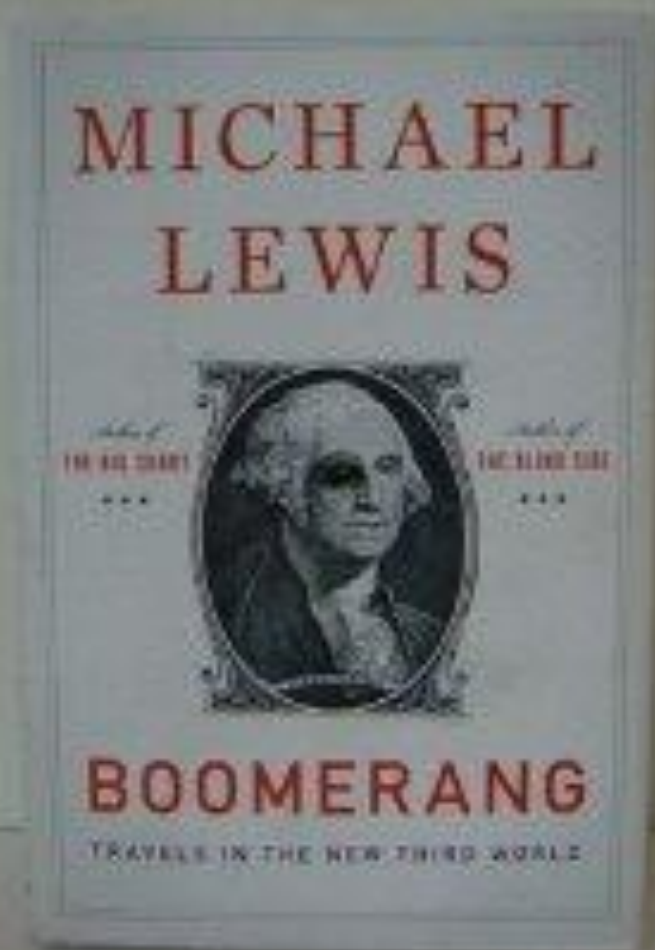
- Porous borders, international regimes

2

- New actors: Non-governmental organisations

3

- New actors in private governance: rating agencies and hedge funds





KYLE BASS, HEDGE FUND MANAGER

THE RISE OF GLOBAL PRIVATE GOVERNANCE COMMERCIAL RATING AGENCIES VS. SOUTHERN EUROPE/EUROZONE

**STANDARD
& POOR'S**

Fitch Ratings

← HOME
MOODY'S

Introduction

Centre-Periphery

Southern Europe

Eurocrisis

Conclusions

3

- **Reconstructing Economic Governance in EU**

1

- Economic governance framework

2

- European Semester(OMC, Peer Pressure)

3

- Europlus pact(Debt brake)

4

- **Centre-Periphery Conflict**

CENTRE-PERIPHERY

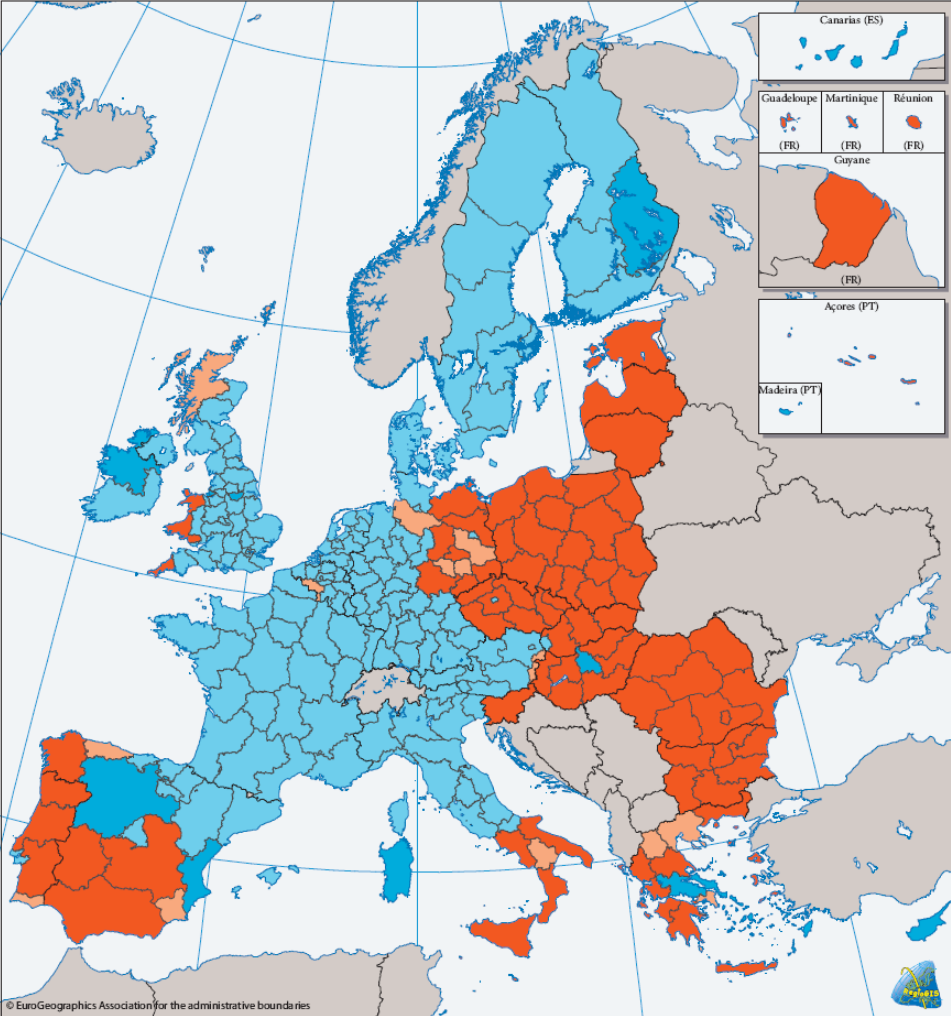
PROBLEM FOR
EU

COMPETITIVENESS

DIFFERENT
LEVELS of
DEVELOPMENT.
TWO SPEED
EUROPE

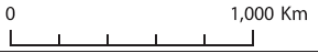
GLOBAL ROLE

DIMINISHED
IMPORTANCE
IN WORLD
ECONOMY



**Structural Funds 2007- 2013:
Convergence and Regional Competitiveness Objectives**

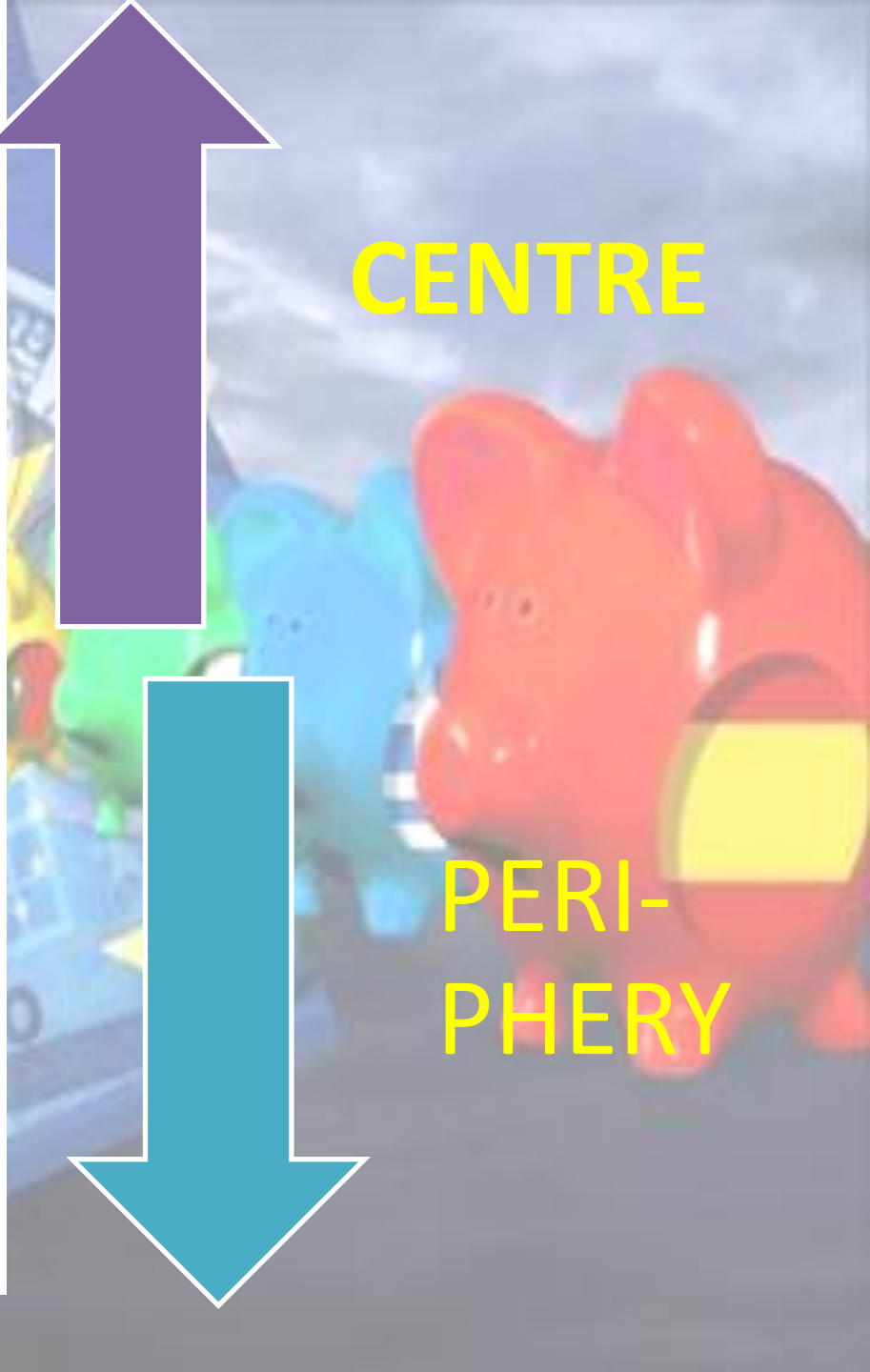
- Convergence Regions
- Phasing-out Regions
- Phasing-in Regions
- Competitiveness and Employment Regions




CENTRE




PERI-PHERY





**CENTRE(11):D,F,UK
,S,DK,FIN,A,NL,LUX
,B,I**



**PERIPHERY(16):
P,E,GR,
IREL.,HUN,CZ,SK,SI,
LT,LV,EST.,CY,M,BG,RO
M**

	CENTRE (11)	PERIPHERY (16)
POPULATION	325.4(65 %)	175.6(35)
AREA	2,442,505 (56.4%)	1,886,450 (43.6 %)
EU GDP AVERAGE (2009=100)	130	71.4

CENTRE (11)		PERIPHERY (16)	
COUNTRY (11)	NUMBER OF PATENT APPLICATIONS EUROPEAN PATENT OFFICE (2007)	COUNTRY (16)	NUMBER OF PATENT APPLICATIONS EUROPEAN PATENT OFFICE (2007)
CENTRE	95.3 %	PERIPHERY	4.7 %

CENTRE (11)		PERIPHERY (16)	
COUNTRY (11)	R&D expenditure (2007)	COUNTRY (16)	R&D expenditure (2007)
CENTRE(2007)	2.4 (without Italy)	PERIPHERY (2007)	0.9

CENTRE (11)		PERIPHERY (16)	
COUNTRY (11)	COMPETITIVENESS INDEX RANK (2010)	COUNTRY (16)	COMPETITIVENESS INDEX RANK (2010)
Germany	5	Spain	42
UK	12	Poland	39
France	15	Romania	67
Italy	48	Portugal	46
Netherlands	8	Greece	83
Belgium	19	Ireland	29
Luxembourg	20	Slovenia	45
Austria	18	Hungary	52
Sweden	2	Czech Republic	36
Denmark	9	Slovakia	60
Finland	7	Bulgaria	71
		Latvia	70
		Lithuania	47
		Estonia	33
		Cyprus	40
		Malta	50
CENTRE	14.8(11.5 without Italy)	PERIPHERY	50.6(52.1 without Ireland)

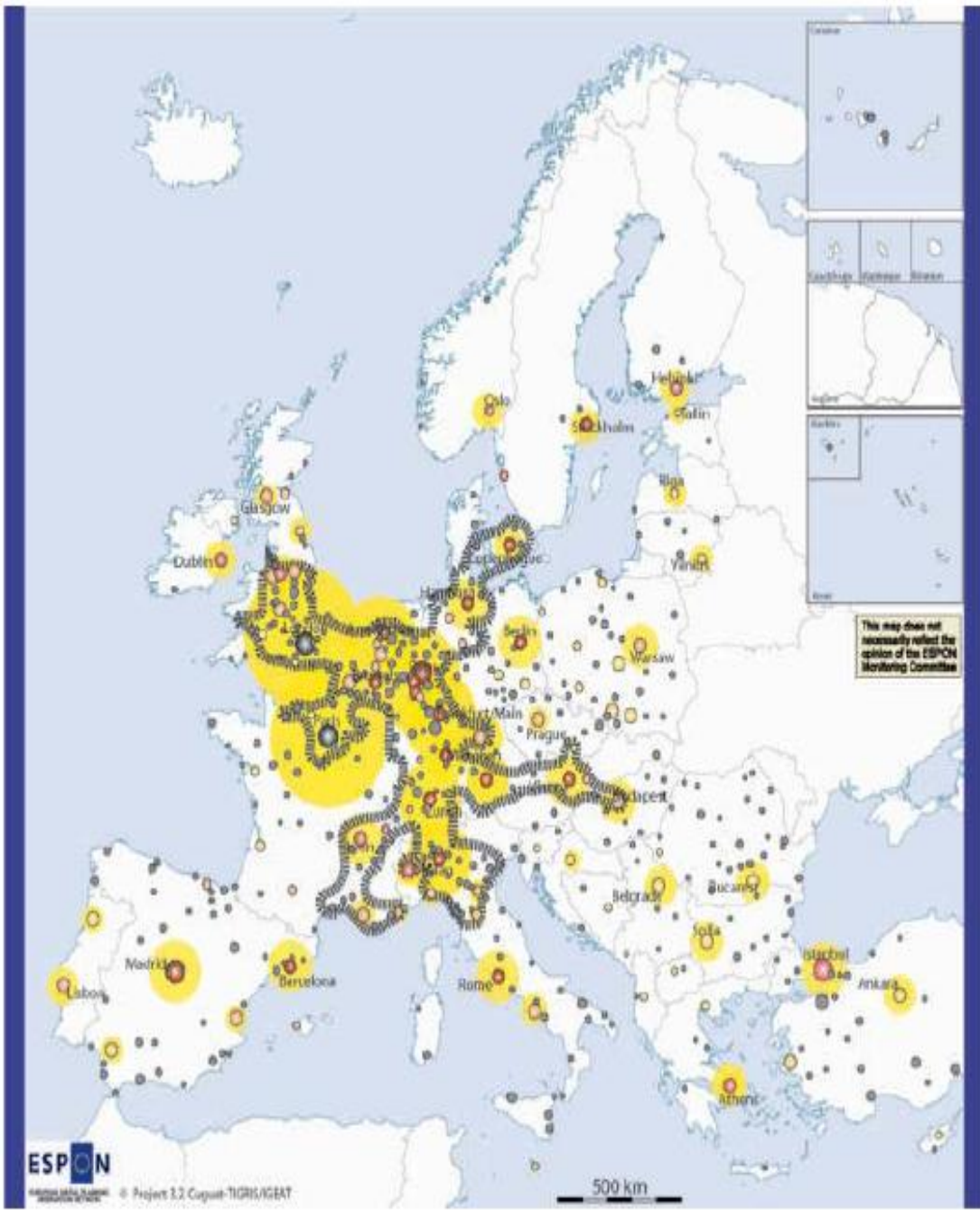
Competitiveness-oriented Scenario: Spatial structure and urban hierarchy in 2030

Urban typology:

- Global City
- European Engine
- Strong MEGA
- Potential MEGA
- Weak MEGA
- Regional/Local City

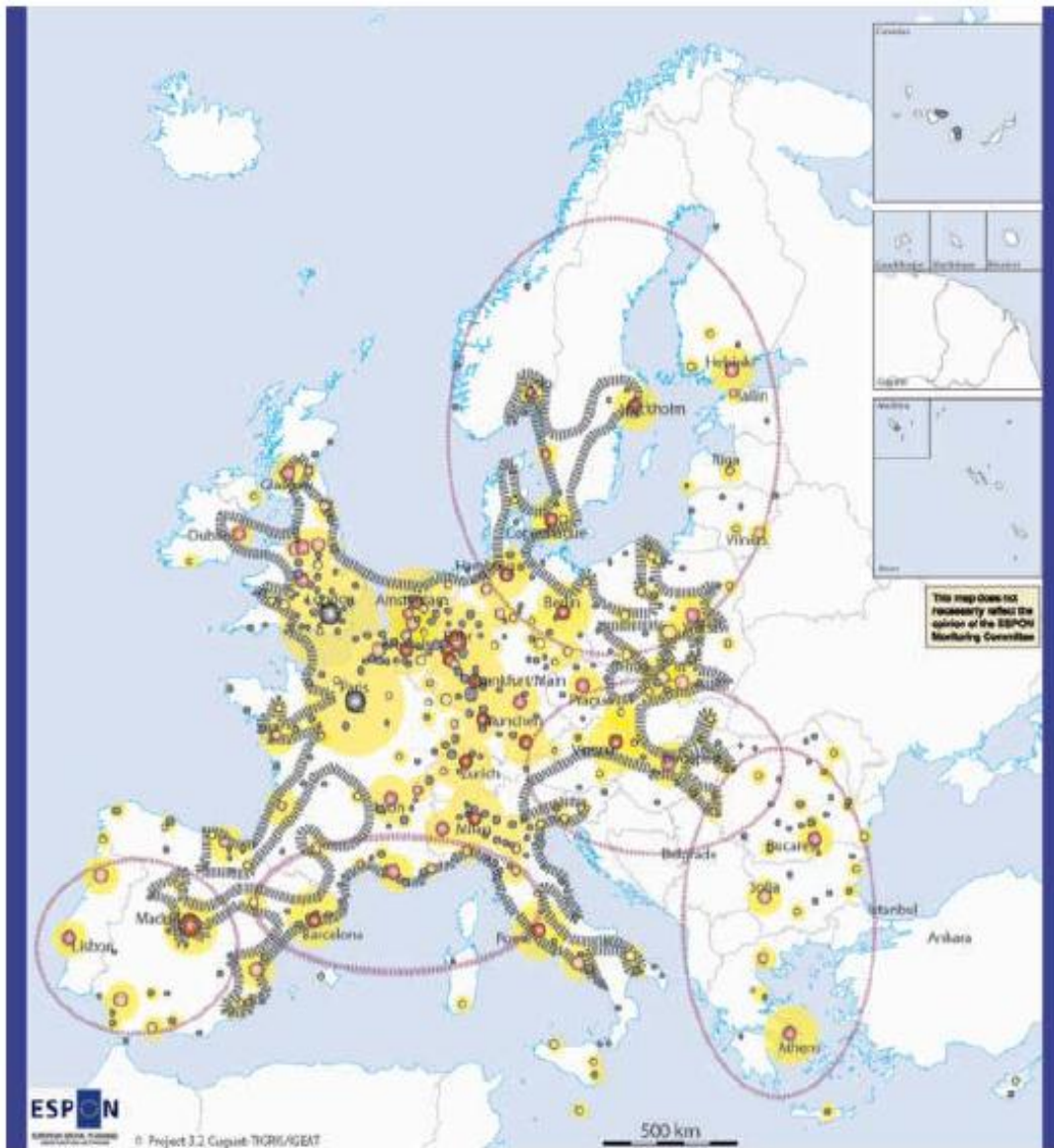
- Attraction and polarisation potential of metropolitan area
- 🌿 Area of concentration of flows and activities

© EuroGeographics Association for the administrative boundaries



PROBABLE TERRITORIAL IMPACTS OF THE COHESION-ORIENTED POLICY SCENARIO

Cohesion-oriented Scenario: Spatial structure and urban hierarchy in 2030



Urban typology:

- Global City
 - European Engine
 - Strong MEGA
 - Potential MEGA
 - Weak MEGA
 - Regional/Local City
- Attraction and polarisation potential of metropolitan area
- Area of concentration of flows and activities
- Emerging peripheral integrated zone

● EuroGeographics Association for the administrative boundaries

Lack of Pan-European dynamics due to different interests

Lack of global role for European capitalism

Rich-poor countries conflict over resources

Consequences

5

- **The Failed Southern European Model of Capitalism**

***How to deal with growing
centre-periphery gap?***



***26 years of structural funds but
still uncompetitive economies
in southern Europe why?***



***Crisis as chance for Southern
Europe?***

Democratisation of
Southern Europe
since 1974-5



Southern European
Model of Capitalism
did not change
since 1974-75

Problem of structural reform
delayed



Problem of administrative
and state reform delayed



Structural funds used up for
infrastructure projects not
competitiveness



**Low educational
qualification structure**

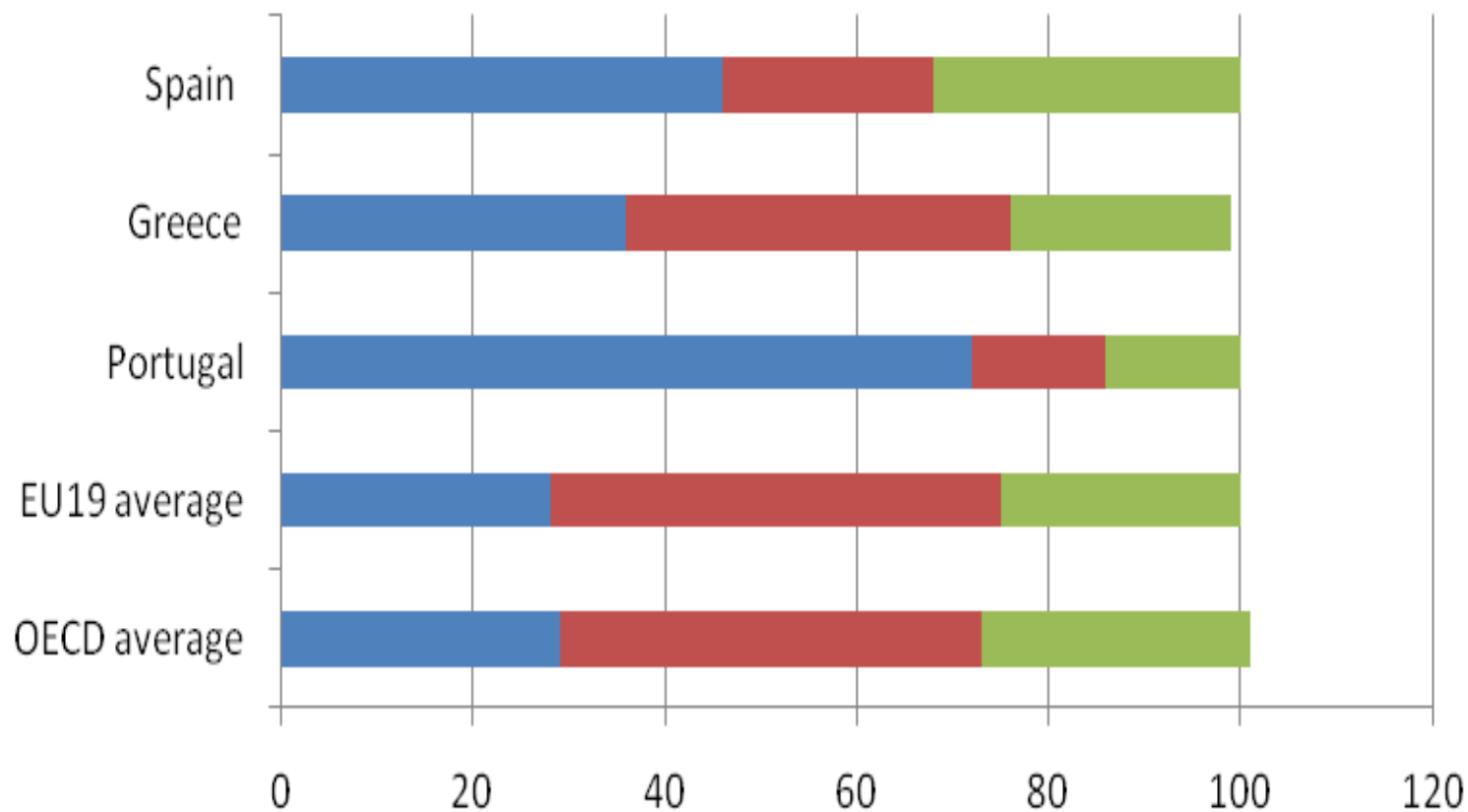
**Highly dependent on
foreign direct
investment**

**Southern European
Model of Capitalism**

**Labour intensive
industries and weak
services sector**

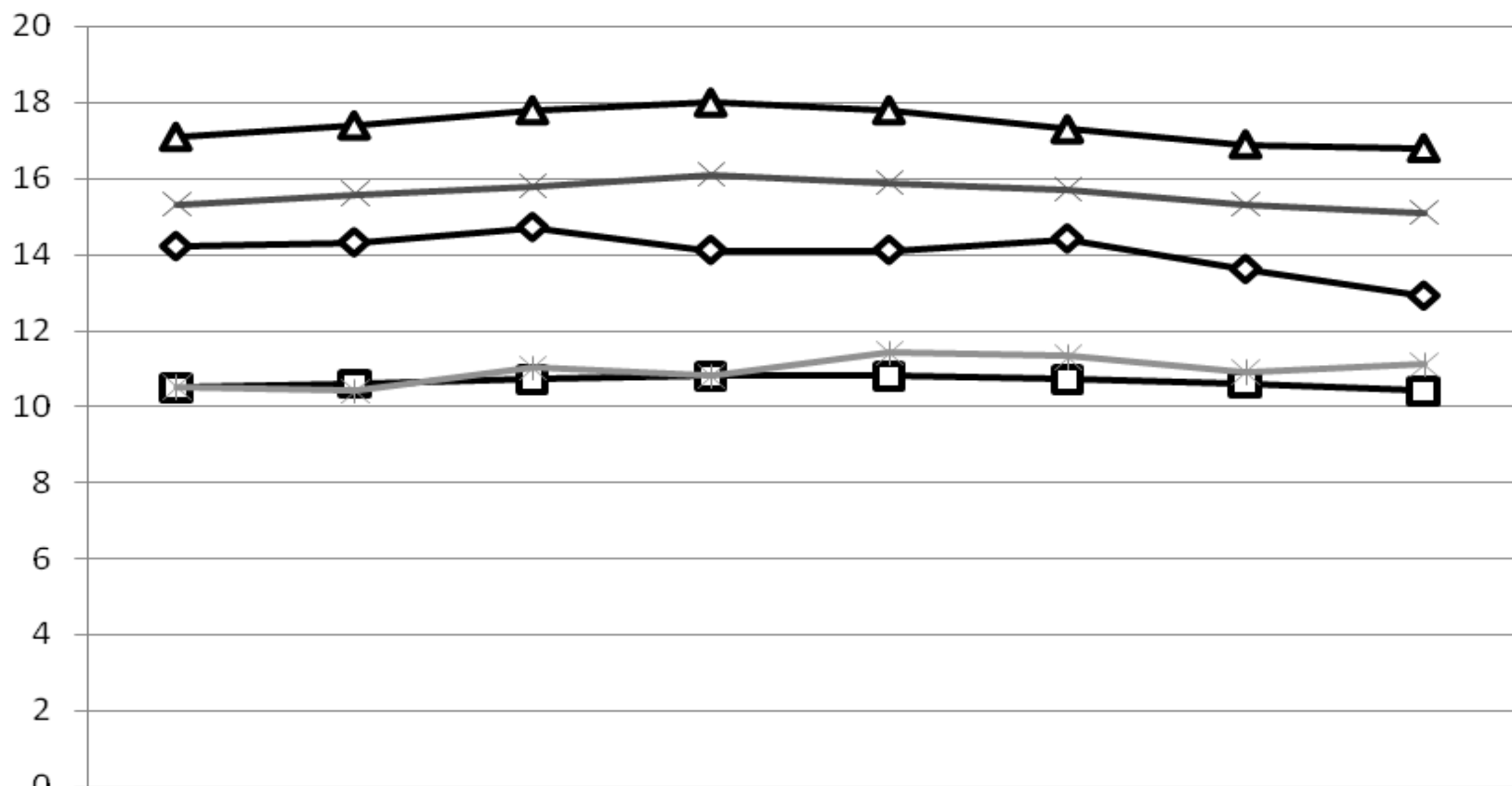
**Weak strategic
entrepreneurial
culture/low level of
research and
development**

2008

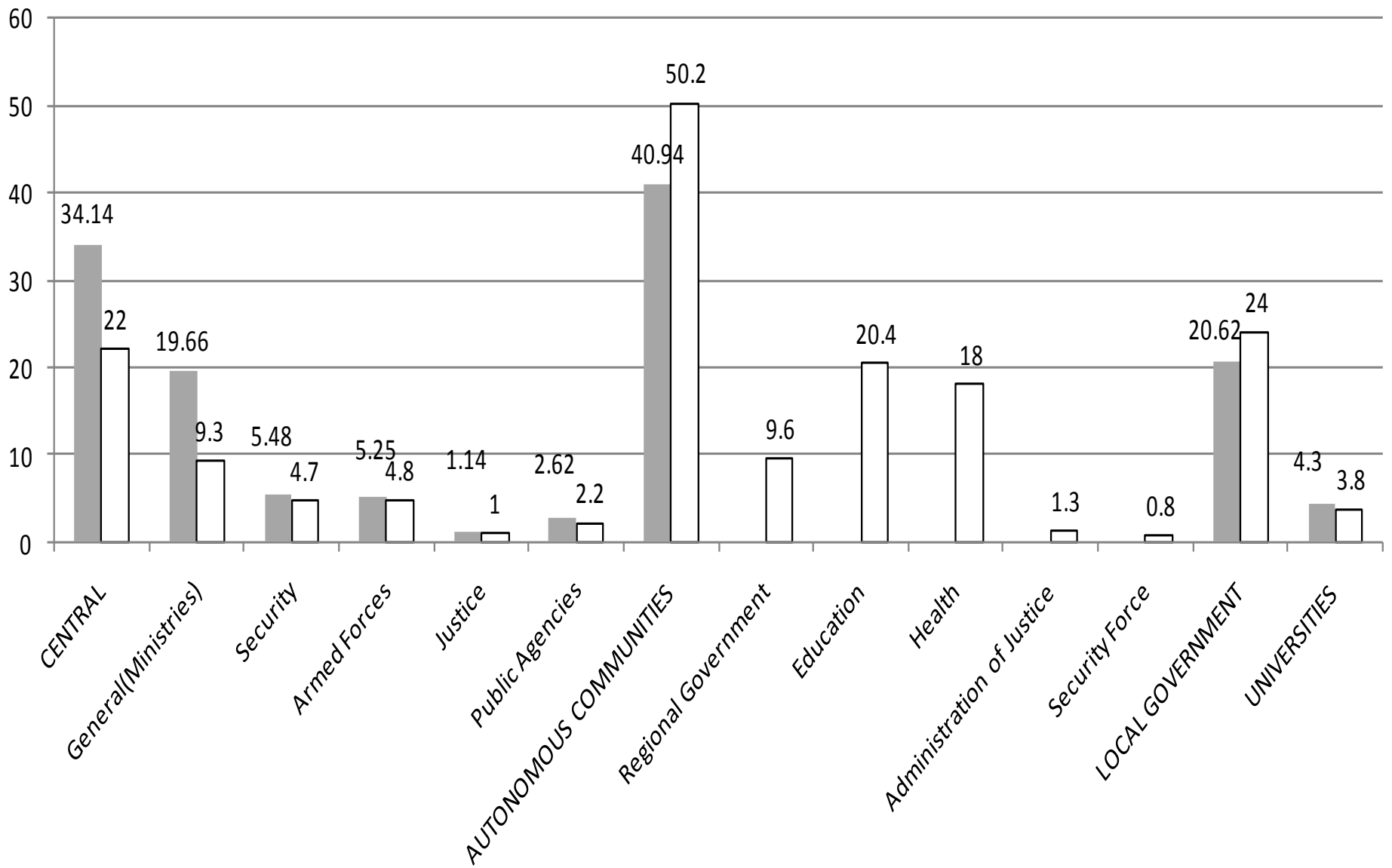


	OECD average	EU19 average	Portugal	Greece	Spain
■ Below upper secondary education	29	28	72	36	46
■ non-tertiary education	44	47	14	40	22
■ Tertiary level of education	28	25	14	23	32

FIGURE 3.PUBLIC EMPLOYMENT COSTS AS PERCENTAGE OF GDP BETWEEN 2000 AND 2007



	2000	2001	2002	2003	2004	2005	2006	2007
◆ Portugal	14.2	14.3	14.7	14.1	14.1	14.4	13.6	12.9
□ EU27	10.5	10.6	10.7	10.8	10.8	10.7	10.6	10.4
▲ Denmark	17.1	17.4	17.8	18	17.8	17.3	16.9	16.8
× Sweden	15.3	15.6	15.8	16.1	15.9	15.7	15.3	15.1
* Greece	10.5	10.4	11	10.8	11.4	11.3	10.9	11.1



2000= 2,208 132 civil servants

1.2007=2, 512 038 civil servants

■ 2000 □ 1.2007

Consultation of
civil society and
partnership as
pro-forma
'Playing the game'

Too much
emphasis on
public
infrastructures

Private sector
extremely weak to
take part in
projects

Structural
Funds



Clientelism and
Patronage

Political
Corruption(Greece,
Spain,local level)

Still problems of
liberalisation and
privatisation(Greece
and Portugal)

Weak controlling
civil societies

Divided political
elites(majoritarian)

CENTRE (11)		PERIPHERY (16)	
COUNTRY	GOVERNMENT PUBLIC DEBT	COUNTRY	GOVERNMENT PUBLIC DEBT
(11)	% OF GDP	(16)	% OF GDP
	2010		2010
Germany	83.2	Spain	60.1
UK	80	Poland	55
France	81.7	Romania	30.8
Italy	119	Portugal	93
Netherlands	62.7	Greece	142.8
Belgium	96.8	Ireland	96.2
Luxembourg	18.4	Slovenia	38
Austria	72.3	Hungary	80.2
Sweden	39.8	Czech Republic	38.5
Denmark	43.6	Slovakia	41
Finland	48.4	Bulgaria	16.2
		Latvia	44.7
		Lithuania	38.2
		Estonia	6.6
		Cyprus	60.8
		Malta	68
CENTRE	67.8	PERIPHERY	56.8

CENTRE (11)		PERIPHERY (16)	
COUNTRY (11)	BUDGET DEFICIT 2010	COUNTRY (16)	BUDGET DEFICIT 2010 % OF GDP
Germany	-3.0	Spain	-9.2
UK	-10.4	Poland	-7.9
France	-7.0	Romania	-6.4
Italy	-4.6	Portugal	-9.1
Netherlands	-5.4	Greece	-9.5
Belgium	-4.1	Ireland	32.4
Luxembourg	-1.7	Slovenia	-5.6
Austria	-4.6	Hungary	-4.2
Sweden	0	Czech Republic	-4.7
Denmark	-2.7	Slovakia	-7.9
Finland	-2.5	Bulgaria	-3.2
		Latvia	-7.7
		Lithuania	-7.1
		Estonia	0.1
		Cyprus	-5.3
		Malta	-3.6
CENTRE	4.2	PERIPHERY	8





6

- **Conclusions**

1

- Domestication of debate in the European Union

2

- Acknowledgment that the EU is heterogenous and the reform process has been asymmetrical

3

- The Exclusion of Greece from Eurozone will not solve the common problem of competitiveness of the EU. The Problem will not go away