

Resilience of the EU and leverage of the ENP

Good News and Bad News

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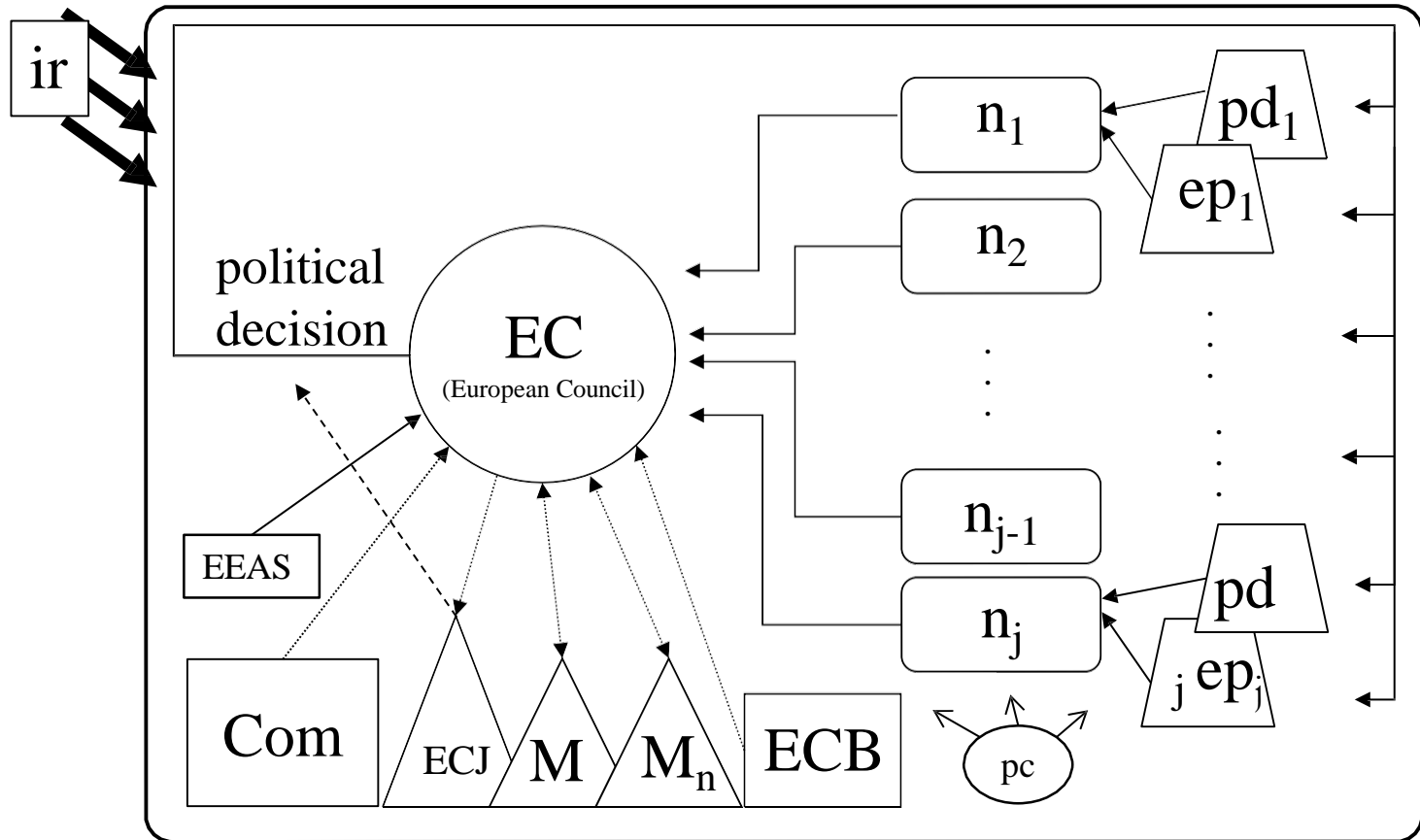
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Source: Der Tagesspiegel, Berlin, Friday, 13.10.2012. Author: K. Stuttmann.

Information Flow Chart of the European Decision-making Process



Resilience – A Strong EU

Challenges were plenty. However the EU remained resilient with *resilience* defined as the capacity to recover quickly from difficulties (Oxford Dictionary)

Challenges have been handled and proven the problem solving capacity of the EU. They have involved considerably high economic costs.

Examples include:

- The greek debt crisis: Clearly recognisable were tit-for-tat strategies which also accounted for domestic restrictions
- The refugee challenge: Migration has been mitigated due to efficient Turkey–EU negotiations but were ill-prepared by EU

Challenges never turned to crises defined as threats to the sense (*zweck*) of the system (compare Luhmann).The sense of the EU is identified as providing a negotiated system of further negotiations.

Leverage – A weak EU

- Foreign Affairs – Bosnia, Kosovo: War
- External Relations - Ukraine crisis ill handled
- Neighborhood Policies – a ring of fire

Leverage defined as „the power to influence a person or situation” (Oxford Dictionary) is low in foreign affairs of the EU due to a missing mandate for external negotiations and enforcement. Neighborhood Policies turn out to be self-defeating because of ill-specified goals and means.

Resilience: stability analysis

- Variables, Parameters:

\bar{x} benchmark equilibrium of the system (EU)

x_t state of the system (EU)

b_t negotiating efforts

$\alpha, \beta > 0$, where t denotes time

- Differential equations:

$$b_{t+1} = \alpha (x_t - \bar{x})^2 \quad (\text{eqn. 1})$$

$$x_{t+1} = -\beta b_t (x_t - \bar{x}) + x_t \quad (\text{eqn. 2})$$

Once the state of the system deviates from its equilibrium due to a symmetric shock, governmental negotiations start with the help of supranational institutions (eqn. 1). On the grounds of the EU- institutional settings and vis-a-vis ideas of tit-for-tat political reforms (eqn. 2) will be implemented.

Local stability around the steady state (Jacobi-Matrix) reveal Eigenwerte and margin stability between 1 and 0 (Thank you, Prof. Neugart). Chaos seems possible face to large deviations because of non-linearities involved.

An econometric glance at resilience by means of bivariate Vector Autoregression (VAR)

A Bivariate VAR(1) :

$$\begin{bmatrix} y_{1,t} \\ y_{2,t} \end{bmatrix} = \begin{bmatrix} \mu_{1,t} \\ \mu_{2,t} \end{bmatrix} + \begin{bmatrix} \varphi_{1,11} & \varphi_{1,12} \\ \varphi_{1,21} & \varphi_{1,22} \end{bmatrix} \times \begin{bmatrix} y_{1,t-1} \\ y_{2,t-1} \end{bmatrix} + \begin{bmatrix} \varepsilon_{1,t} \\ \varepsilon_{2,t} \end{bmatrix}$$

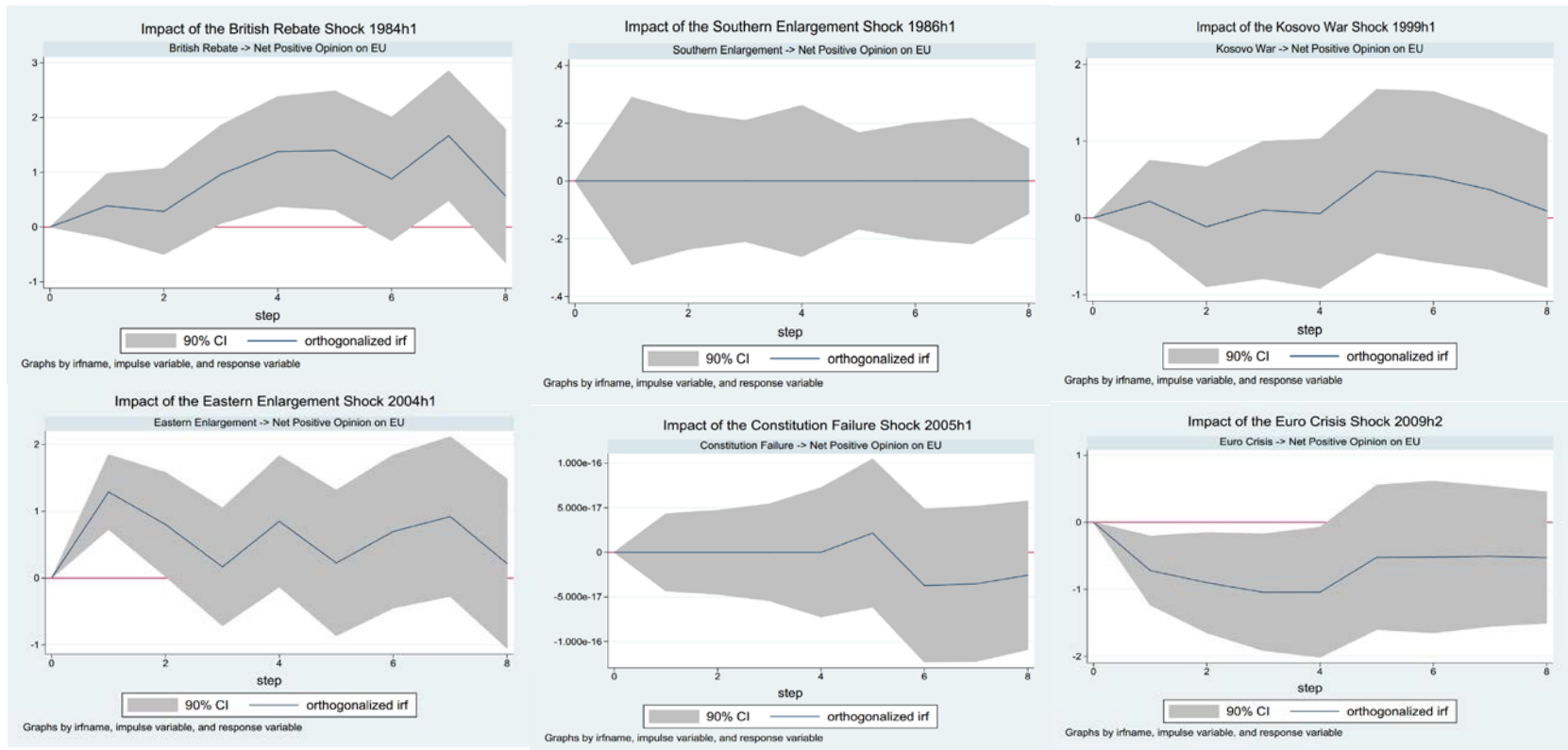
VARs model time series as a function of their own lags plus, so that, for example $y_{1,t}$, can be written as

$$y_{1,t} = \mu_{1,t} + \varphi_{1,11} * y_{1,t-1} + \varphi_{1,12} * y_{2,t-1} + \varepsilon_{1,t}$$

The impact of orthogonalised shocks can be traced by means of rewriting the equation in moving average form and cholesky-decomposition.

The response to an orthogonalised shock can be written as $\frac{\partial y_{t+h}}{\partial v_{j,t}}$ and will be presented in the following in the form of graphs to be interpreted as follows: If the confidence interval spans 0 (the red line), then the response is not statistically significant in the particular semester after the applied shock.

Impulse Responses: Impacts of major Challenges on the Net Positive Opinion on the EU



- Only the Euro Crisis had a negative, statistically significant impact on the net positive opinion on the EU (~1% per half-year)
- The British Rebate and the struggle for the Eastern Enlargement even made the EU more popular!

Why didn't it work?

- Political Rationality: Goals of power seeking incumbents are oriented towards acceptance and conciliation of constituents to form a winning coalition of their selectorate (e.g. voters, vested interests like power clubs, lobby groups)
- Economic Rationality: Goals of policy designed for correcting market distortions are lacking Nash efficiency
- Civil Rationality: Goals of policy designed for established features of governmental decision meet self-defeating effects

Economic wealth and repression, the limitation of personal freedom: a positive correlation?

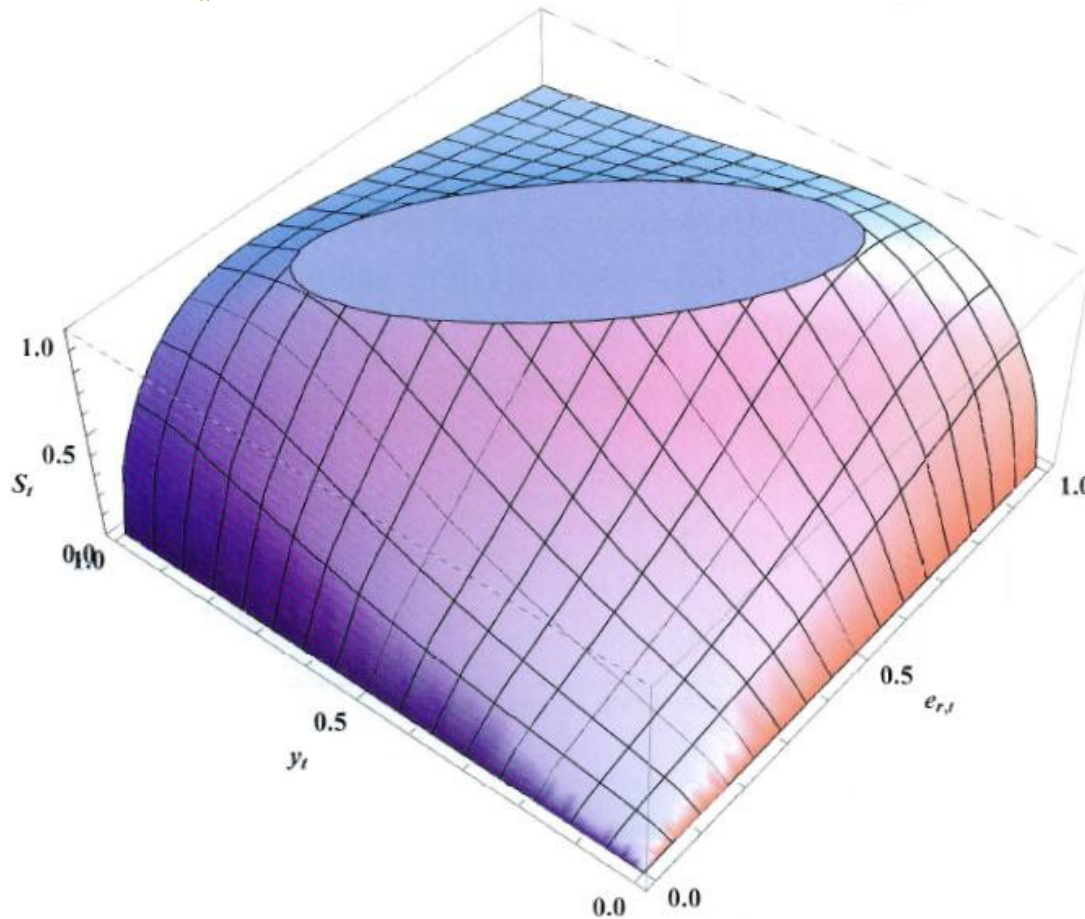
The degree of Challenges to Incumbent

Indicator: **Political Stability and Absence of Violence/Terrorism**, reflecting the possibilities that governments will be destabilized or overthrown by unconstitutional or violent means, such as politically-motivated violence and terrorism

Countries	Estimate	Rank
AZERBAIJAN	-0.31	33.96
ARMENIA	0.0	47.17
EGYPT	-0.91	17.92
MOROCCO	-0.52	27.83
TUNISIA	0.1	50.47
UKRAINE	-0.1	41.98
GERMANY	0.81	74.1
RUSSIA	-0.89	18.4

Source: Worldwide Governance Indicators, 2011 (<http://chartsbin.com/view/3411>)

Regime Stability



Notation:

s_t : regime security

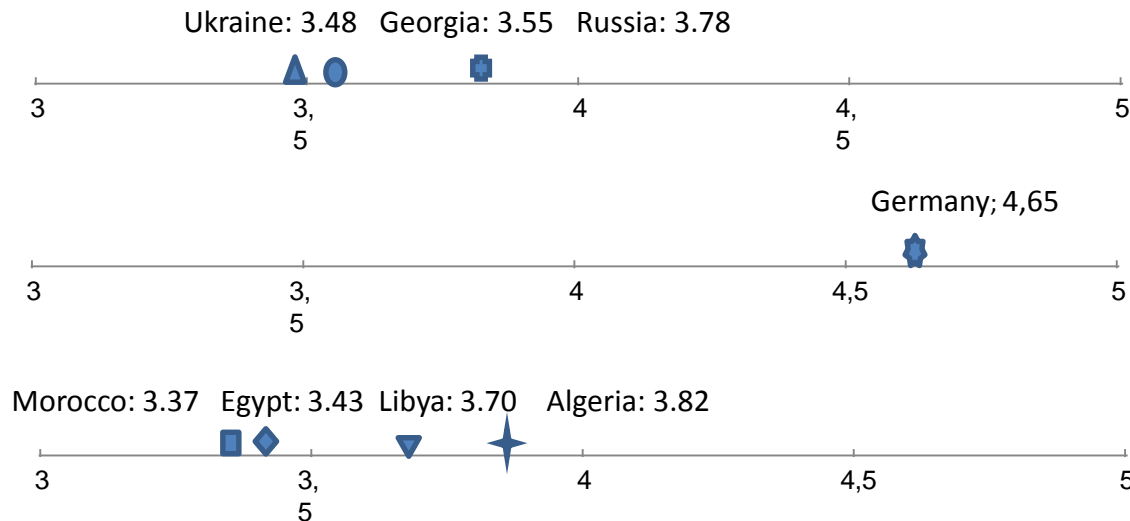
y_t : national
income

$e_{r,t}$: level of
repression

Source: Alexander Sahli. 2010. Dissertation: „Challenge or Change? The Political Economy of Regime Stability in Autocratic political Systems“. Freie Universität Berlin, Supervisor: prof. Michael Bolle.

Societal Stability Index

The log-scale represents the ratio of GNP per capita/ political terror of a country. The indicator measures **the wealth and repression balance**, i.e... the ratio of economic wealth to the degree of repression as measured by an index. The higher the ratio, the better for people



Data: World Bank and Political Terror Scale, real GDP; all of 2013.; Trotitgnon 2015

Neighbourhood Policies: How to make them efficient?

1. Designing foreign policy to encourage other nations to support EU's neighboring policy
2. ENP should be aware of the repression-wealth balance and concentrate on economic-wealth(compare Krasner)
3. Increasing sustainability by a gradual framing of peoples preferences in favor of joint values of the EU

Thank you for your attention!

And, for the long goodbye:

**The EU is blessed (some say: cursed) by never being and
forever
becoming - time horizon unknown!**

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