

Resilience of the EU and leverage of the ENP

Good News and Bad News

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Recent Patterns of the EU - Crises?

time	Crisis	time	Crisis
1962	Cuban Missile Crisis	2002	The divisions during the War of Iraq
1965-1966	The Empty Chair Crisis	2005	The Failure of the Constitution of Europe
1973	Northern Enlargement	2008	Euro-Challenge: The European Debt
1983-1984	British Rebate	2014	Ukraine-Challenge
1986	Southern Enlargement	2015, 2016	Terrorist Attacks
1992	Maastricht and the Eurozone	2016:	The Migrant Crisis
1990, 1995, 2004	Eastern Enlargement	2017	The In-Out Referendum on EU Membership of United Kingdom
1992-1995/ 1998-1999	The Bosnia War/The Kosovo War		



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

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 involved 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

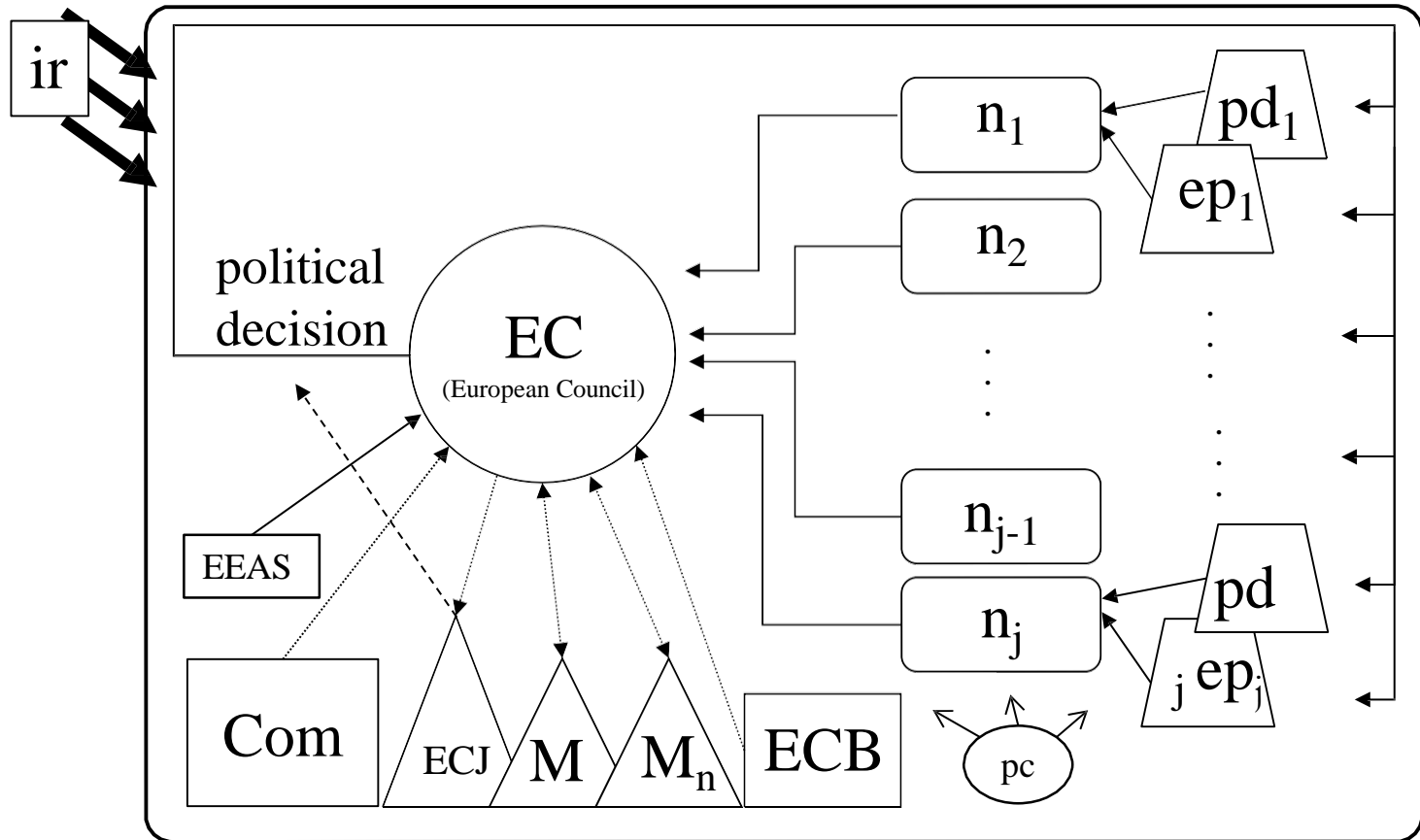
Challenges never turned to crises defined as threats to the sense (*zweck*) of the system (compare Luhmann).The sense of the EU can be identified as providing for a negotiated system of further negotiations.

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.

Information Flow Chart of the European Decision-making Process



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) :

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

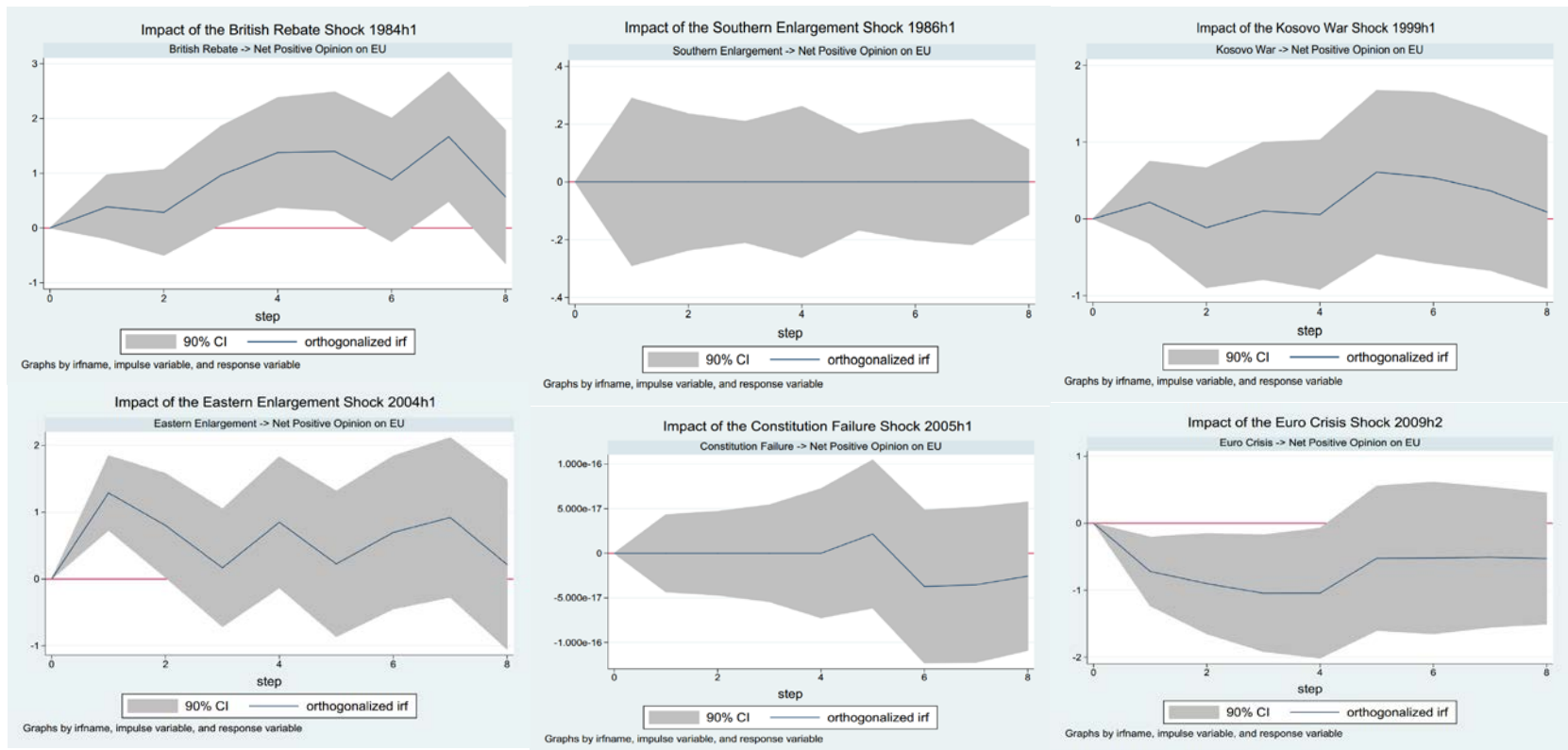
VARs model time series as a function of their own lags plus, so that, for example $y_{1,t}$, can be written as

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

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!

Goals and Means

Goals

- Strengthening of stability, security and well-being
- Support to civil society, promotion of good governance
- Adoption to principles of market economy, foreign policy cooperation

Means

- Monitoring, economic dialogues, macrofinancial assistance and coordination with international financial institutions
- Financial Support by European Neighbourhood Instrument (ENI, € 15,4 billion for 2014-2020) for support of bilateral, regional, neighbourhoodwide and cross-border cooperation programs
- Financial and capacity building support to civil society actors by different programs like ENI, Civil Society Facility or European Instrument for Democracy and Human Rights

The European Integration Index for Eastern Partnership Countries

Linkage: growing political, economic and social ties between each of the six EaP countries and the EU (political dialogue, trade flows, mobility of people, and the level of EU assistance to each country).

Approximation: legislation, practices and institutions in the EaP countries converging towards EU standards and in line with EU requirements (deep and sustainable democracy, market economy and DCFTA).

Management: looks at institutional structures, co-ordination and management of the European integration process on the ground/ reflects the level of commitment to integration and the capacity to deal with the growing EU-related agenda in each EaP country.

Country	Linkage	Approximation	Management
Moldova	0.70	0.69	0.71
Georgia	0.59	0.69	0.74
Ukraine	0.66	0.60	0.50
Armenia	0.51	0.60	0.48
Azerbaijan	0.41	0.44	0.30
Belarus	0.31	0.34	0.25

Source: European Integration Index 2014 for Eastern Partnership Countries. February 2015.

Sucess or failure?

	HID		DI		FI	
	2005	2013	2006	2014	2006	2014
Egypt	0,65	0,68	3,90	3,16	5,5	5,5
Morocco	0,57	0,62	3,90	4,00	4,5	4,5
Tunesia	0,69	0,72	3,06	6,31	5,5	3
Georgia	0,71	0,74	4,90	5,82	3	3
Ukraine	0,71	0,73	6,94	5,42	2,5	3,5
FYI: Czech	0,85	0,86	8,17	7,94	1	1

Sources:
HID: UN Development Program, URL: <http://hdr.undp.org/en/content/human-development-index-hdi>.
DI: Democracy Index (The Economist, 2006 and 2014)).
FI: Freedom House, URL: <https://freedomhouse.org/report/freedom-world/freedom-world-2015>).

Human Development Index (HID): Geometric mean of having a long and healthy life, being knowledgeable and having a decent standard of living

Democracy Index (DI): Index for Democracy as a set of principles that institutionalize and protect freedom as f.e. Government based on majority rule, existance of fair and free elections and respect for basic human rights

Freedom Index (FI): Index respresenting respect for human rights and civil liberties in each state with a scale from 1 (most free) to 7 (least free)

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?

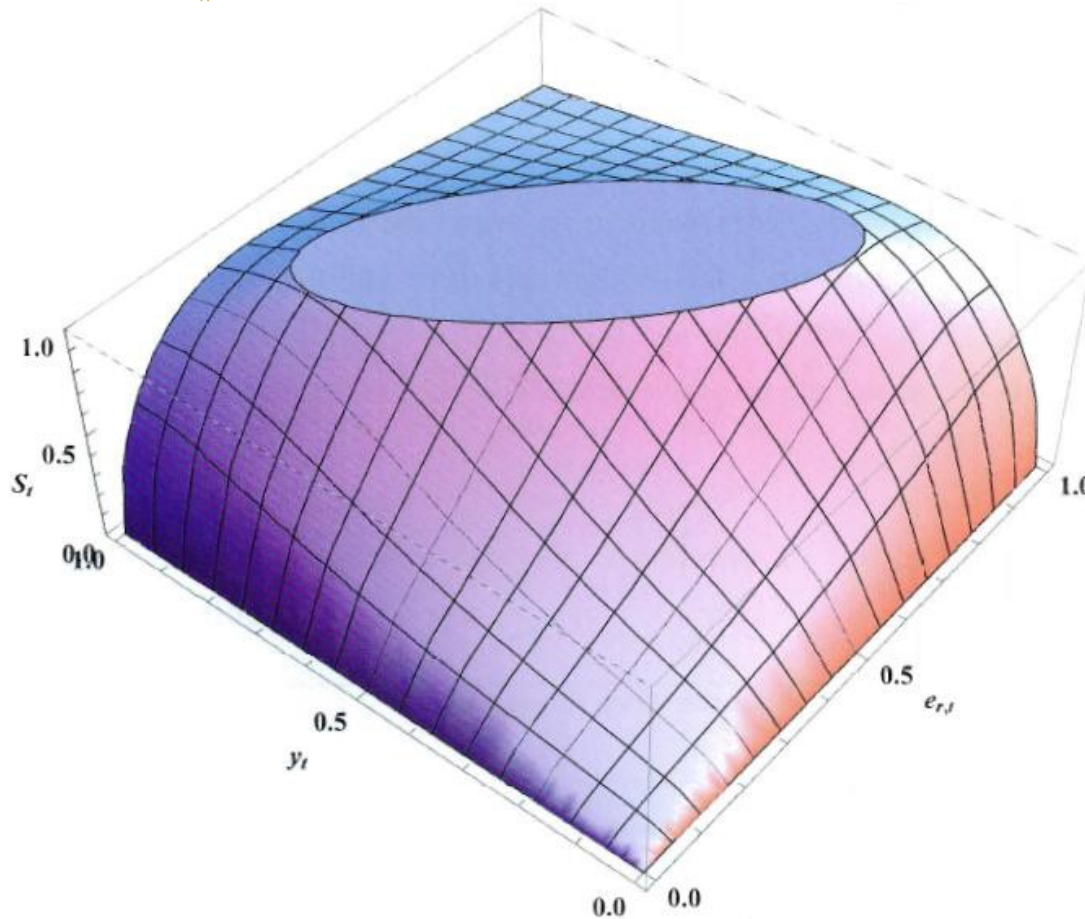
The degree of Challenges to Incumbent

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

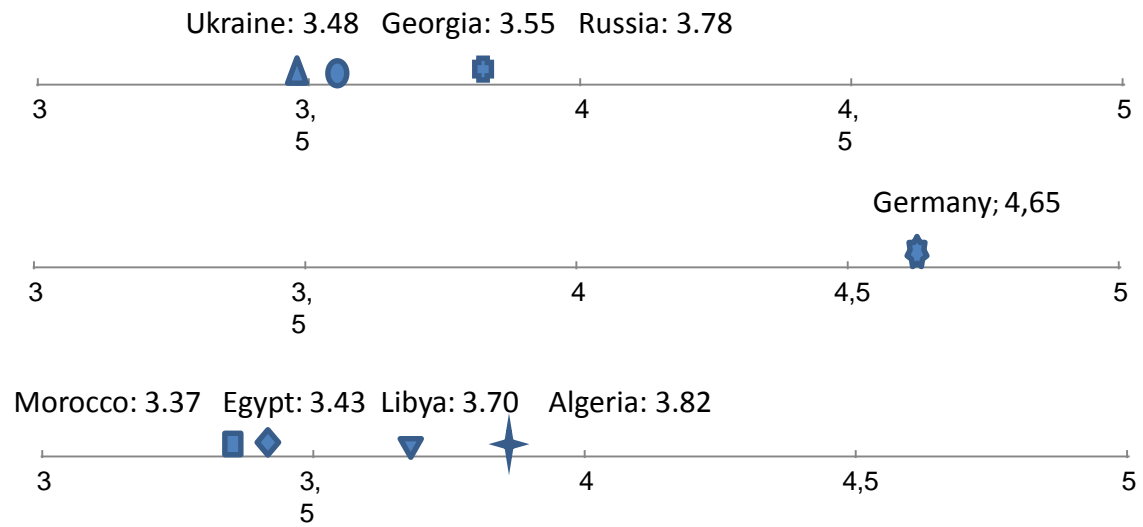
y_t : national
income

$e_{r,t}$: 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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