

GLOBAL GOVERNANCE AND ECONOMIC POLARISATION

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Abstract: *The establishment created and consolidated by global governance has affected the very democracy: a model of capitalism that produces results reveals an increasing political pressure that causes a relatively perpetual crises, just as it happens now. The crisis implies accumulation of major and profound contradictions, and the social effects of the capitalist model reaching a blow up level are politically dangerous.*

The governance after 2008 has led – by liberalisation, deregulation and monetarism – to some “normality” of permanent austerity, now unbearable. Social inequalities, unemployment, cultural changes (caused by migrants and refugees), the failure to preserve (at least) the present standard of living – even in developed countries – cannot any longer be concealed and justified by the present direction of some public policies. The sluggishness of the reforms made by the present political environment in order to make difficulties bearable by the social has revived the radical politicians, who (by criticizing the establishment) have challenged the entire system of governance and many voters have joined this right-wing radicalism.

Our study is an approach to the general theme on Romania in globalisation – experience, present and future – within the research programme carried out by the “Costin C. Kirişescu” National Institute for Economic Research, the Romanian Academy.

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Looking at the “habits” of global governance, ten years after the financial crisis stir-up, we face the same challenges of the global economy, more or less similar in intensity: corruption, tax evasion, terrorism funding and financial exclusion. In our opinion, we are witnessing a failure of the governance morality, whether it turns into popular discontent and social unrest, since otherwise there is no political, economic, and financial and price stability. In other words, global governance is challenging its own existence and credibility. Unfortunately, we come to the few who rule the people at large, to their revolt against the increasingly immoral establishment. Brexit will enter history as a complex social-economic notion, not as a mere event.

There are serious global problems to be considered by any summit intending to ensure the leadership for a global *agenda for defending a rule-based global order*³.

The early simple global problems are now strategic global problems because of slow decision making that should have provided solutions in early stages. Now they are risks to peace and global security when affecting Europe, Asia and the Middle East, a quite dangerous historical combination. A list of them provided by Tusk ends in a terrible conclusion for the ordinary citizen: “From the war in Syria and Russian aggression in Ukraine, to nuclear and ballistic missile tests in North Korea, and land reclamation and militarization in the South China Sea. **If our groups is not determined and united enough, the situation in the world can really get out of hand**”.

In our opinion, a starting point in approaching the new European economic poles of power is the fact that there is a different structural coverage of global governance, which causes more imbalances. *Global political governance is stronger than the EU's one*, as the latter is more concerned about bureaucratic events; of course, because of the failure to produce real political leaders and proper leadership, even if we notice an increasing hegemony on behalf of Germany, the European Union has to wait to be a global actor while the world and globalisation are on the move.

³ As for global governance and the present international order, we should consider the role of an integrating leader beyond old and new disputes over trade and climate changes. We presented in our (institutional and author's) works as leaders G7, G7+1 and G20, the emerging G2 (USA and China), and possibly a G4 (USA-EU-China-Russia) noticing that global governance fails to cope with long-term effects. In this respect, we point out the comments made by Donald Tusk, the EU President, at the opening session of the G7 Summit at Taormina, Italy, in May 1917.

1. The European Union's Governance. A real recovery?

Let's start with apparently good news involving stimulating economic data in mid-2017, which makes Christopher Dembik (Head of Macro Analysis at the Saxo Bank) says that markets are optimistic over the European economy, especially over Eurozone. This opinion is based on the fact that investors have overcome the limitation of concerning only about the European political agenda, by stimulating more positive growth in the Eurozone and slowing down the crediting cycle in the USA and China: *"It is the first time in the last three years that I am so optimistic about the world economy and, mainly, about the future of the Eurozone. The political risk was the main factor determining the market evolution in 2016 after Brexit in Donald Trump's surprising success. But as the French election shows, we should not worry, since this is the normal life of economic cycles"*. According to Dembik, the currency structure in the market could witness an over 10% rise in yen weight in the currency market, above the sterling pound, while to euro would hold 31% (the dollar would reach 88% and remain the main currency). But Dembik also points out that *"the single currency could not attract investors, such as central banks, because of no economic integration"*. Why? So we come again to the quality of the EU governance, less concerned about the promises of the five presidents in their report dealing exactly with the EMU improvement. Maybe a Merckron-type initiative could be of great help to revive the European project after the German elections.

Generally speaking, we take a risk to say that the EU governance obviously declined after the beginning of the 2008 financial crisis. One decade after that great hazard to the world economy – except for a quite insignificant and late economic recovery in terms of rate (that is still applied to leading economies!), the EU lags behind as regards the new institutions and mechanism aimed at eliminating the effects and preventing a new crisis.

Under what we call governance, the European Union is confronted with its own setbacks which show traces of structural and functional weaknesses, in spite of all formal intentions (see the Report by the five presidents) to revive the integration, after the "repair" of the financial crisis through further political commitments, methodologies for evaluating the economic policies, regulatory formulas and institutional constructions (Six Packs, European Semester, Banking Union, safeguarding funds, etc.). The setbacks of the internal governance of the EU have caused not only

inconsistency of the sectoral policies, but also an inadequate approach to the Community's external policy (neighbourhood and common security) as a whole.

Good governance attempts by expanding the democratic space and the market economy beyond the eastern border of the Union (Association Agreements with the Republic of Moldova, Ukraine and Georgia) have been hindered by the tensioned geopolitical context, thus causing a serious (possibly conflictual) antagonism in the region – Ukraine is a dangerous precedent. Russia's tough behaviour, caused by the fear of losing the area of influence in the former USSR republics, endangered the regional security and brought about the NATO's institutional involvement on its own initiative or at the request of some members (Poland and the Baltic countries). Therefore, a border supposed to be allowed to expand the democratic and market values to a larger safety area to the East has unfortunately become a frontier of potential conflicts, where army forces of both sides (NATO and Russia) have been positioned.

In this context, the EU governance faces both the problem to take the traditional way of complex integration as a system of order in Europe already delayed as regards its political finality (the Political Union, necessary but hard to achieve) and the inability to play the role of global actor, in a time of deep changes in the structure of the global economy. The above delay was caused by the management of the multiple crises in the European Union: financial, economic, fiscal, foreign debt and banking. By considering the European integration an intrinsic phenomenon of globalisation we now think that *the globalisation dynamics exceeds the integration dynamics* in many respects, as the Union is not ready to face the challenges alone. Challenges are rather risks than opportunities. But the Union's role of emerging global actor is expected by the other global actors (including the members countries) in order to find solutions to the Union's problems, if compared to individual action. We see that there is a complex of causes hindering the union to become a real global actor, although it is joining new trans-Atlantic agreements (TTIP) or partnerships in the Far East (with China and Japan), themselves awaiting implementation.

We point out that regional and global economic phenomena in a wide sense (cyclical phenomena related to the financial crisis and its effects) as well as the delays in the structural reforming have caused significant deviations in the EU policies from the treaties, although – declaratively –

their constitutionality is evoked. The corrections determined by surprising events or by the delayed action of the Union in relation to the benefits from the Great Moderation have changed the dynamics and the structure of the integration, postponing the return to the initial direction. Therefore, considering the improper governance, the direction of the political project is lost and the Union's weakness is not understood as stemming from this very thing. The mere institutional constructions and regulations that seem to protect it against a new economic and financial crisis does not hide the Union's crisis about which well-known economists discussed openly on a solid basis. The continuous (unnecessary) postponement to reach an optimum compromise between what is related to the Community, agreed by intergovernmental political will, and what is national, agreed rather on a petty politics basis, but not in accordance with real national interests (Brexit is one telling example). "The common denominator" of the options at the Union level seems to narrow while the effective action of member states is less than what is politically agreed in Brussels. This phenomenon, which might be considered an integration syndrome, weakens the community institutions just when they are considered more legitimate and credible for action (it is about the European Parliament and the new rules to appoint the EU president, the EC President or other high officials in charge of some common policies, etc.).

The Community construction during the crisis and after seems to be incoherent, with "circumstantial" or even conflicting additions (the Banking Union, the Capital Markets Union). The member states show – just because the political vision diminished – an increasing propensity for introversion, orientation towards national problems as further resource "mutualisation" measures (the banking resolution fund) are required.

Therefore, the failure of the European governance hindered further solidarity and cohesion and caused deeper division and regrouping of interests around some members to oppose the others (see the management of the crisis caused by Greece's debt, narrowing of the Schengen principle before being applied to all member states, the CVM applied exclusively to Romania and Bulgaria, etc.).

Considering the recent evolutions, a two-speed Union (including "central" and "peripheral" countries) is no longer an idea but a reality to be functional very soon. The return of the states to the domestic problems (pretending to be social ones, but in fact they are linked to the perpetual

political power of the countries that caused the social problems and weakened the European governance), which often turned into dangerous causes of Euroscepticism and radical parties already represented in national parliaments and the European Parliament, can be justified by circumstances only to some limit. The continuous amendment of what is related to the Community for national implementation raises the major problem of the resistance of the political *acquis* of some member states to the EU values (Hungary and Poland are a risk to the EU values). As revealed by remarkable analysts, we should not wonder why there are opinions regarding the dissolution and disappearance of the EU.

Even if we might agree with such “conclusion” and reasonable explanations, we should pay attention to the causes of this way of perceiving the EU evolution in this way. We should rather trust to the warning power of some analyses, and not necessarily in the possible end described by them. Recently in Bucharest, Thierry de Montbrial, a great political analyst, said that the term “Union” departed from the essence of a Community, as it had been defined at the beginning of the European integration. Initially, “communities” were created, and a *sui generis* community could actually produce solidarity.

Considering the setback of Greece (a country pertaining to the Eurozone), Tony Blair concludes that the whole Continent faces a crisis, just when, he thinks, we should pay attention to what we want to obtain from the EU governance: *“Europe as an entity and as an ideal is more needed than ever. The individual countries of Europe need the collective power of Europe to assert their interests, influence and values”*. In this context we should look – in anger towards the present EU configuration (Is it new?) based on concentric circles or several paces – at the Rome Declaration (March 25, 2017): *„We will act together, at different paces and intensity where necessary, while moving in the same direction, as we have done in the past, in line with the Treaties and keeping the door open to those who want to join later. Our Union is undivided and indivisible”*.

This is a promise by taking into account different ways of integration of many member countries, therefore their assimilation inability within a political project unable to eliminate the fears related to solidarity and cohesion.

We need a stronger message and more converging actions, when we speak about national interest versus European interests. The purpose of the paper is the objective of major present interest and significance.

2. Importance of the EU governance analysis

It is determined by important features: (a) *the slowing-down of the European project*, irrespective of more or less explained reasons and their impact at a time of political excuse; (b) unreasonably hasty actions of the Community under the pressure put by the lasting effects of the last financial crisis.

But both reasons are linked to an essential aspect of the European construction raising some pertinent questions: Does the continuity of the European integration project at different paces remain within the limits set by the project founders? Is the illusion of project continuation created only to make the European citizens believe that there is a vision, once well established and accepted? When there is a real implementation of the project, then why do we not speak directly about its explicit objective – the Political Union?

The financial crises shows that the leaders' speeches hinder again the objective of the process in Europe, divided until recently into ideological blocks, exactly where one of the most attractive integration processes takes place. Academic research avoids or is isolated from the noise that distorts the clarity of a direction of action that is a long-range systemic transformation, and finds out that the completion of the European integration is replaced with measures concerning institutions, mechanisms and policies to be used for the above completion.

The objective "in fashion" – being exclusively under the pressure caused by the failure of the related typical economic policies unfit for the post-crisis realities (such as revival of sustainable economic growth, creation of new jobs, cut in public debt, financial stability, funding of the real economy, etc.) are normal targets of any government ready to manage a sound economy, whether included or not in the European project. If we take into account only the inclusion – in the Constitution of an European country – of the definition of the budget balance (the simplest, logical and reasonable economic lesson), then we should ask what is the quality of the European governance, in general, and what should be done that a political commitment

is strong enough to comply with the principle that *pacta sunt servanda*, in particular.

There is a unique premise in this approach: we have the European Union, a complex institutionally functional and operatively manageable reality but using a distorted compass, according to many member states – especially the new ones which want faster results for their citizens from the integration process. We think that the distortion, even not supported, is more profitable to other countries. Thus we come to the convergence of the *sui generis* project and see whether it is or not in compliance with the early vision.

We should note that there is a convenient excuse: the treaties that regulate the functioning of the Union do not contain explicitly the phrase “Political Union”, but they refer to a Union of the European Peoples. It is used only in a few speeches that are not related to the very project. Now we find it in speeches related to the financial and economic crisis in Europe, but it is only a subterfuge implying that *many European structures cannot be seriously conceived without a Political Union*. And actually nobody took it seriously. Such an important objective – often mentioned as a threat, not as a solution – cannot be considered outside a strategic vision, continuously improved, at least following the example of the Economic and Monetary Union.

Of course, when we consider a political project for the EU and think that from now on any solution within the European project should consider this anchor and the EU project needs a new strategic vision. The arguments supporting this idea are obvious. The effects of the financial and economic crisis (of over seven years) seem not to be part of a normal economic cycle, irrespective of its length, by they show – as many economists, sociologists and policy makers point out – that it is something else, in Europe and in the whole world: *no trust in leaders*.

3. The European integration road (from the Rome Treaties, signed in 1957 and enforced on January 1, 1958 to the Lisbon Treaty, signed in 2007 and enforced on December 1, 2009) has been rough, and still is, because of the subjectivity of some European leaders who are present in the European Council. We are obsessed with the economic dimension of the European integration, which finally proves not to be the keystone of the European political project, but it is a base of a multinational construction, on

several levels, helped by a sound economy along with a long social peace and the preservation of the best human values and social practices. It is quite obvious that the “federalisation” (a 19th century one) is rather a fear of the politicians, not of the citizens. In fact, we ignore that what people do not like economically is the result of the political involvement in the integration project and not its failure caused by wrong government.

Unfortunately, we omit that the simple message for mobilizing the European citizens for a higher living standard (a promise to achieve the European integration in the 6th decade), achievable only with economic and political support accompanied by real democratic values – contained also an early more explicit and sensitive message, for clear reasons (Europe’s division was determined by historical conscience and stubbornness, not by artificial borders included in political and handbook texts) a quite subtle and firm one – *to achieve the Political Union*.

If we may speak about a “perversion” of the European integration project, then we should first discuss the joining of the terms “economic” and “monetary” within the notion of “union”.

The second evaluation could be an answer to a tough question: Who arouses fear of a classic federalisation and is it a voluntary one or an inertial one? It is a matter of civic education, insufficiently promoted for decades (Was it accidental?), and expanded throughout European without complying with the societal model (considered to be strongly based on the western democratic values) or the real one (relation to the political aspects) or the terminology evolution and technical progress, but with imperial and hegemonic intentions.

Recent development in Eastern Europe show that imperial intentions are “real phantoms”, and continental hegemony seems to be revived because of the failure to find strong consensual solutions and no strategic vision in line with the first quarter of the 21st century. This is the effect of the most dangerous idea against integration: duality, not say first-hand and second-hand countries, northern and southern, western and eastern countries, and central and peripheral countries. This is one of the causes of Euroscepticism and radicalism escalation.

4. EMU creation

In this situation, extremely complicated and related to the European political project – Political Union – we should consider the reviving of the

European integration in view of creating the Economic and Monetary Union in an almost similar period as regards the political will and the economic and social conditions in Europe. It refers to the effects of the Delors Report (1989) on the revival of the European monetary integration. Delors did it not by mere declarations in Brussels, soon forgotten in the national capitals, but by initiating full scheduling (starting on July 1, 1990) of the creation of the Economic and Monetary Union (EMU) and assuring by consensus the whole process and each of the stages. The introduction of the single currency (euro) on January 1, 1999 is the result of this action, probably unique in Europe's history. It marks the beginning of a unique historical experiment; this time stimulated by a keen mind and a strong political will, not dominated by historical inertia of some personalities of the time. In our opinion, "Delors' Endeavour" concerning the European project is valuable for expressing the political will of a nation for sure, especially when it is an important project of adopting the single currency, linked to the political union. Romania has to learn a lot from this process, especially from the political one.

Besides the creation of an Economic and Monetary Union, we think we need a similar political will for the Political Union Project. The European citizens should be aware of the irreversible project – the Political Union.

Recognizing that globalization is more advanced than the European integration, we notice that there are other factors – even some integration "ingredients" – that form the globalisation engine. Philosophically, we agree that the advance of mankind has been towards today's globalisation, and internationalisation and mondialisation were stages to create the knots of the future globalisation network. Viewing globalisation as a network system is more suitable as regards some factors other than institutions.

Obviously, in the late 20th century and the early 21st century, we notice the financial flows, the countries' exposure to global competition, international migration, technological advance of industries, transport and communications, and, recently, the capacity to influence the countries' monetary policy by reserve currency. At the same time, globalisation and integration may be considered concurrent processes, besides their mutual stimulating influence. Globalisation has succeeded just because of the above-mentioned factors, by quick development and assimilation of the best practice in many fields of international cooperation and competition. As for

the European Union, it seems that in almost all strong policy fields (economic, social, political and security) the political consensus emerges at the Council level, while the transition to the national level is quite different from written agreements and communications.

We may conclude that excessive institutionalisation causes objectively an effective bureaucracy – both criticized but not eliminated – delaying decision-making and diverting their purpose. Also there is a dynamics difference between the European integration and globalisation; besides, neither the globalisation challenges nor opportunities produce surplus value for the functioning of the Union institutions or dividends from globalization. Recognizing in principle the disadvantage caused by the difference in dynamics between the European integration and globalisation we come again to the essence of this reality, quite unproductive for the European integration. Of course, most of this difference in dynamics is caused by the actions of the member countries, the orientation of these actions under the pressure of the financial crisis, but especially the postponement of the structural reforms supporting the convergence of the member states' indicators to the upper reference.

The increasing economic power of some members to the detriment of the others, as revealed by the current interpretation of the Union duality – central countries versus peripheral ones, northern countries versus southern countries a.s.o. – cannot be of great help for the European political project. In fact, we witness a departure from it which deprives us of the instrument to achieve it, *i.e.* convergence in the broadest sense.

5. *The economic power changes inside the Union* cannot be considered a necessary evil as long as we plead for competition, but this competition should stimulate the countries that need some time for recovery. While the gaps inside the Union could be maintained to depart from the idea of union – which means an undesired architecture of the economic and political relations between the EU member countries – we should note that globalisation stimulates the emergence of new power centres and causes changes in the world hierarchy, searching for a new architecture of the economic and political relations and making them legitimate through the decision power with a global agenda. At least now, globalisation produces more unification than the European integration does, and the solution is that the UE should be more united to become an important actor for a global

agenda. But reaching this position faster means more convergence inside the Union, and member countries eager to clarify the Community problems and not to deal with power issues and ways of manipulating the domestic voters. This could comply with the faster synchronisation of the globalisation opportunities in order to become a real international action in accordance with the Lisbon Treaty.

Generally, the strategy for the EU's economic revival after 2008 was dominated by the austerity imposed by the governments and by stimulating monetary policies suggested by the central banks. As regards the governments, their fiscal and budget policies have consolidated the effects of recession due to the slow and weak recovery and high unemployment; so we may comment only on the role of the monetary policy that holds a position not only in the European Union, but also in other countries facing deflation (USA) or even an acute form of it (Japan).

While in matters of economic policies exclusively linked to governments the classic economics handbook proves to be outdated, in matters of monetary policy we see innovation. It is about the transition to unorthodox monetary instruments unable to show a recovery in this domain.

The years 2015 and 2016 show that a voluntary step (the FED and the Bank of England) was taken under pressure (the Bank of Japan) towards unorthodox monetary policy instruments for the monetary stimulation of the economies. As for the EU (at least) the step taken voluntarily and too late supported the economies to function at the slow pace determined by the financial crisis and the measures taken by the Government. The limits of the latter (in 2009 and 2010) regarding the growth stimulation oriented the governments towards the central banks, either letting them act independently or making them act in a certain way by administrative measures.

What surprises us with regard to the innovation in matters of unorthodox policy instruments – quantitative relaxation and negative interest – is the fact that central banks (which try to keep price stability) have to stimulate the inflation and the propensity for consumption, and further rise in costs. The behaviour of the consumers (households, producers and investors) has not responded to the new type of monetary impulse (more and cheaper money), as it is marked by an old mistrust caused by the decrease in real income and the return of the saving instruments due to austerity, since they expect prices to decrease. Economies stagnate because

of no public investments and tax incentives in order to protect the public debt indicator. Thus the balance between public expenditure and private (itself indebted) does not more in relation to the economic cycle.

In spite of the growing monetary relaxation owing to increasing monthly procurement of securities, from 60 to 80 billion euro, the ECB President, Mario Draghi, as well as other experts find out that the benefits of this measure diminish as compared to expectations, and uncontrollable risk might occur.

The absence of inflation (and the risk of deflation) cannot be compensated by flooding the monetary market with massive liquidity and low costs while there is no consumption and confidence. Governance reveals that the operation of the channels transmitting the monetary impulse react differently when trying to stimulate inflation, the chain of effects is less known when there are, on one hand, the stagnant consumption demand and, on the other hand, many reserves in stand-by (capital and workforce)

Another practical effect of the present monetary policy based on busted flush should be the expansion of crediting by commercial banks, but this channel is blocked by the fact that negative interests do not comply with either the credit expansion or the performance of the commercial banks, because incomes from interests are low. Therefore, people prefer to deposit money with central banks, because low interests are better than risky credits in a stagnant economy.

Moreover, the deficit in productivity in a stagnant economy, impacting on national competitiveness, took a false way to keep foreign customers and to deal with global competition, *i.e.* currency war. In 2016, the currency war (used also in other circumstances concerning the global competition) seems to enter a new stage in defiance of the traditional economic rules. Using the exchange rate as a component of competitiveness, separated from labour productivity, is an effect of an increasing market volatility, and this fact neutralizes the power of the central bank, ready to weaken their currency by depreciation in order to help the economies through exports.

The export competitiveness ensured by the national currency depreciation, in a worsening labour market (unemployment, incomes, and rigidity) and facing narrowing foreign demand, can be only a temporary solution to maintain the domestic economic growth in absence of reforms,

which should allow for a rising labour productivity as a factor of competitiveness.

We notice that countries with a high foreign debt and a negative monetary policy interest faced a national currency appreciation, which completely eliminated the logical effect of the above indicators on exports and corporate profit. We notice a diminishing rating of the company shares, while a serious public debt and an unexpected exchange rate do not comply with the market laws.

Analysts seem to agree that the monetary policy of the central banks should not be the only one able to ensure the post-crisis economic recovery, which means an explicit recognition of the need that governments must avoid economic policies based on obsolete paradigms.

Currency wars and mistrust in economic and financial governance reveal two incompatible target phenomena: currency depreciation (a privilege of central banks issuing reserve currency, in absence of private caretakers of gold) as a weapon for external competitiveness, and gaining the confidence in reserve currency, as an attractiveness privilege or a haven for other economies affected by economic and financial instability.

6. EU symbols under question

In the confusing environment caused by the seven simultaneous crises affecting the Union, the impact of some symbols – hardly created during the integration – seems to lose of its stabilizing power influencing the European citizen's psychology. The single currency and the Schengen Area are in balance and both are very significant for the level of economic freedom of the European citizens and the living standard. At the same time, the operation of a single market with a single currency – now in the Eurozone – and the free movement in the Schengen Area may be considered early elements of a political union, consisting in the correlation of the single economic area (through euro) and the people's free movement. The political action of the present establishment is deviated and looks for ways of delay, already existing in the governance under analysis.

As for governance, the problem is that the single currency project avoids the fiscal pillar (a basic element of an optimum currency area) and the economic cooperation is not a strong remedy for the absence of a constant and strong political will of state and government leaders in the Eurozone founding countries. The financial crisis shattered the symbol of

the single currency, still recognizing that the euro elimination could mean the collapse of the whole structure built by the Union.

The refugee crisis, caused by the barriers to the free movement of the Union's citizens to prevent terrorism, is considered to be a way of dissolution of the Union by the disappearance of the early Schengen Area. This configuration of the Schengen Area influences the single market growth and its competitiveness and consequently the quality of the economic growth of the Union, already affected by the rigidity of the labour market and the relative stagnation of labour productivity.

"Schengen falls, the EU falls" was the 2015 phrase after the 2010 phrase "Euro falls, the EU falls", which soon were correlated. Angela Merkel, German Chancellor, and Jean-Claude Juncker, the EC President, think that the euro fate depends on a solution to the refugee crisis. As the crisis is not settled inside and at the borders of the Union, the efforts are directed towards to areas generating emigrants, themselves shattered by the poor governance of the so-called Arabian Spring, one more failure of some powerful countries of the Union. Hopes are put on the Syrian border sealing, with help provided by Turkey, which is another country that does not enjoy a closer economic cooperation. In 1986, this chance vanished because of the solution to some traditional conflicts between Greece and Turkey; later Greece becomes a burden on the Union, its salvation from collapse (a failed state) is not even today clarified on a strong financial basis, and the membership to the Eurozone is still under question.

Now, the refugee crisis is the most pressing problem of the Union, and the advance of Euroscepticism is a decision to seal the borders seems to be the political solution for today's Union founders, after the 2016 crimes for which the Muslim terrorists are blamed. Unfortunately, events show that the source of terrorism was Muslim citizens of the Union. This reveals one of the social integration problems in some EU member states (the emigrants who settled one generation before).

Migration, which includes the free movement of labour force within the Union, shifts the status of active worker in the Union economies to that of socially assisted people, as revealed by Alan Greenspan, in the context of globalisation. The problem of increasing labour productivity in the EU is quite pressing; population ageing and social policies diminish the states' saving capacity and the investment resources (for high technology jobs). Investments from public funds are crucial for economic growth by

improving labour productivity (actually, a potential GDP), but the increasing sources for social aid (wanted by the new-comers) are about to eliminate the state's role in key domains of an open and competitive market economy. Brexit is a response of this kind.

Because of the refugee crisis, some achievements such the common market and the euro are affected by nationalist response at the very beginning of the financial crisis, and the incoherent answer stirs up a feeling that there is a “beginning of the end” (Juncker). The Union vulnerability affects its functioning as a whole, and the fate of the euro is “directly linked” to the solution to the refugee crisis (as Merkel says), which worsens the already existing economic distortions. The political consequences for Germany and France seem to be stronger as regards the present leaders, who look at the future election fights with the rising radicals, and the common front of the Union can be shattered, while a national approach could be better than a collapse of the Union.

Although the refugee crisis problem was raised by Germany through the Chancellor, Wolfgang Schäuble, Minister of Finance, warns that perceiving it as a German issue is wrong. Many member states expect much from the German decisions, which turns the refugee problem into a European issue by making the decision on the matter in Brussels. Both Merkel and Juncker link explicitly the national border control in the Schengen Area with a possible collapse of the Single Market in the most developed zone of the Union and the euro end, because “without Schengen ... euro means nothing”, said Juncker, and Merkel adds that “nobody could demand a single/common currency unless border crossing is easy”.

It seems that **preserving the Union symbols** is the only guarantee for a comprehensive solution to the immigrant problem (according to Dimitris Avramopoulos).