

# **A glimpse into the future of European Union:** *A leader or a follower?*

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## **ABSTRACT**

This paper tries to analyze the current state of the European Union as a global actor and its perspectives of demonstrating leadership capabilities. In the current context of the new economic order, the struggle for power is growing far more rapid and at an increasingly intense pace. While economies like India, Brazil and China are steaming ahead, European Union is facing tough times and it's in need of a change. But will it be possible for the European Union to become a superpower and not just a follower? While analyzing the demographic, political, cultural, economical and military current state and perspectives, this paper aims to project a possible route of the European Union on the global map.

**Key words:** *global actor, economic order, follower, leader*

## **Introduction**

In the past years, the European Union has gone through one of the most difficult periods since its very beginning, facing multiple challenges regarding the regions's policy-makers. Taking this into account, it's not a surprise that many countries, within the European Union, are struggling to recover from the worst financial and economic crises that we've seen since the Great Depression. Unless decisive action is taken at a rapidly pace, the Union is long over due in facing a shift of power. These concerns have led many to question the viability of this concept and have raised, at the same time, the need to rethink the European Union as a project. In the current context, we are clearly witnessing a shift in the balance of world power and it's clear that we are bound to face new challenges in the years to come. Discussing about superpowers includes a mix of a several factors including economic, cultural, military resources, human resources and nonetheless political influence.

## **Demographic aspect**

It's not a surprise that many factors have contributed to this widening gap and to the underlying gradual economic deceleration in Europe, which it's safe to say that it lies at the heart of the partition. The role of military and economic policies, for example, can barely be ignored. But demographic trends also have had a major influence on the discordant European economic evidence over the past years. It's safe to admit that while the population of the EU continues to

remain constant, at least for the moment, the trends for Europe point indubitably to population decline. The EU Member States are facing huge changes of their demography, which are reflected through the fact that people are living longer and national fertility rates are declining. This new demographic reality will constitute new conditions and new challenges for the EU economic power, being projected that the impacts of this changes will effect significantly the EU economy, labour markets, economic growth and nonetheless the social structure and many other aspects. Demographic growth is shifting in the developing world and nowadays BRICS countries are getting stronger than ever. By 2050, they are supposed to become the world's leading economies, leaving behind the current position represented by the Western world. In this situation, if EU wants to maintain its strong position in the world economy, it has to adapt its institutions and policies to the changing demographic reality. In this scenario, if EU doesn't take action, it's about to face a significant deceleration of its economic growth and to inevitably weaken its position in the global economic order.

Main changes have been observed in the demographic structure of the EU, as stated before, starting with the decline in fertility rate, ageing of population and nonetheless immigration flows. Although, in recent years, fertility has slightly increased, it's still considered to be quite low, in order to maintain the actual population size, in the absence of immigration. This moderate increase in fertility results reflects from the new family patterns, that we are dealing within the EU, resulting in countries with fewer marriages and more divorces. Regarding this aspect, changing the social perceptions on relationships and marriage, can be a tough issue to solve in the future if not likely impossible. This reduction in fertility in recent years, is followed by the post-war baby boom generation which causes nowadays the rise of the population aged between 45 and 65 years. This will inevitably lead to a substantial increase in the proportion of old people, who will ultimately need to be supported financially by an already significantly reduced working age population. By 2060, the number of elderly would more than double the number of children in EU, leading to a scenario where the new generation will spend even several decades in a period characterised by inability and higher dependency. This decline in working-age population will definitely pose some difficulties for public expenditures and will also effect other spheres of economy such as transport. It's indisputable that this demographic change will also be accompanied by some profound social changes. This being said, the actual situation of the EU population should be analyzed in a mirror with the global population growth, especially the population in the developing countries, which are expected to double in the future.

As far as the immigration flows, the EU is known to be a popular destination for immigrants. According to Eurostat, by 2050, around 40 million people will emigrate to the EU, many of them being young people at working age, fact that will help to bring down the average age of the population. But migration flows have major consequences for the countries of destination and origin. Although on a short term, immigration could help to reduce financial impact on ageing and lack of working force, the emigration of a large number of the young educated population will definitely have a negative impact on the economy and development of the country of origin. As a result of all said above, the population of EU will slightly fall down and we will see for example in economic terms that the main changes will involve the size of the working age population, which will decrease by 48 million between now and 2050.

### **Military shift**

Contrary to current conventional views, according to the 2013 report issued by the European Union Institute for Security Studies, the EU as a whole, still is, de facto, the world's second strongest military power, involving several smaller states but with substantial military capabilities of their own, two nuclear powers and highly powerful traditional medium powers. As the report mentions, European military capabilities are certainly impressive by the sole fact that the European countries enjoy some of the highest levels of GDP in the world, powerful social and human capital and also an advanced industrial and scientific base. Also we can not underestimate that the EU has some of the most capable and effective armed forces in the world. It's well known also that for a while, European countries have implemented reforms of their defence and military structures that are still allowing them, to accustom to the new international system and its ongoing threats. While on paper, EU seems to go in the right direction, we can not wonder if this will be just enough to position itself as a top global actor.

Although the EU has the potential and capacity of being a leading military player in world affairs, there are good reasons to be concerned about the short-term as well as the long-term future of the EU military outlook. In the meantime, we are observing that emerging powers in Asia have been making remarkable investments (such as China doubling military expenditure every five years and India increasing defence spending by 14 % in 2013), EU defence spending has diminished from €251 billion to €194 billion in the past decade. European governments should rethink their defence spending strategy, an example in this regard being UK, one of the top two big military powers in Europe, which has already cut defence expenditure by 8% since 2010. Nonetheless, the range of recent European defence budget cuts may not be one of the most compelling evidence of decreasing capabilities, whereas there have been wide variations across Europe, starting with cuts in Latvia and Bulgaria and continuing with ongoing growth in defence spending strategy in Sweden and Poland.

Primarily, EU has accepted that closer defence collaboration is indispensable in order to remain constant and to expand, the already existing military capabilities but the sad reality is that they are not willing just yet to take the necessary decisions. EU will remain an important and stable region, however, while the global context awakens, EU faces some prognosis on several elements, which may lead to a struggle to cope with the outcome of globalisation. The need for a closer cooperation, does represent indeed a new issue, at the level of the EU regarding its military capabilities, in order to achieve desired results and to obtain a certain level of unity. A common defence policy and increased collaboration between national defence systems is necessary to optimise expenditure as well as the use of material and human resources. Unifying and sharing can be a significant way to cut down costs but so far the progress seen in this department has been slow. European governments need to commit to more resources to their jointly budget defence. A first step in this direction was the European Council meeting in December 2013, which had a special focus on defence and represented a progress towards shaping a common route forward for EU defence policy. With Member States facing an emerging set of strategic challenges, has become crucial to improve defence cooperation at EU level.

## **Cultural**

European culture is not a precise concept that we can easily define, since identity can be characterized as a accumulation of several different values (Jodi Davis, 2010). Although, EU is a ongoing changing political unit that is encouraging its integration more and more, it represents also a platform characterized by cultural diversity. Therefore, European identity has become central to the politics of European constitution and to the neverending struggle to solve its legitimacy problem. Over the years, there have been distinguished multiple cultural efforts, that were intended not only to advocate a cultural unity but also to develop a new kind of European thinking, one capable of mobilising Europe's 505 million citizens towards a new conception of thinking themselves as "Europeans". Among the most important aspects of a people's culture and identity are language and history, the main two areas which most divide EU Member States. In most current debates regarding European integration, the subject of culture still remains an abstract term, oftentimes used to embody how European integration brings more than economic benefits. Even though culture is said to be so fundamentally important, the European Union has never clearly shaped its cultural policy. Culture and cultural policies were not considered priorities during the first period of European integration and were discussed only in the later phases. Even though most member states still reject the idea of formulating "*common cultural policy*" and insist on respecting the well known principle of "*subsidiarity*", there has also been an unanimity in favour of implementing a certain degree of cooperation in the cultural field, this being a result of the acceptance the fact that many issues require a coordination at an european level.

While debates still focus mainly on the need for European cultural policy, at the same time it's possible to affirm that, de facto, European cultural policy already exists, even if it is not yet clearly defined. Provisions from various common policies have an impact on culture, including both policies that refer specifically to culture and those that have a more indirect impact on culture. In a report issued by the European Parliament, Ruffolo disputed that economic prosperity alone, nor the single market and single currency, could not have mobilized member states and their citizens for European integration if there had not been a clear political goal behind it (Ruffolo 2001). Such form of political union, if it wants to succeed in becoming a real union, has to empower member states to also gather some common cultural beliefs beside simple economic interests. Ruffolo also suggested within the report, that the conception of European cultural policy would rather shape a model that can afford all member states equivalent opportunities for the promotion of cultural diversity, achieving in this manner the goal of what he termed "*unity in diversity*".

These being said, can we predict what is the future of the interpretation and application of the concept of culture within the EU? Certainly we can try but the best route is a continuous approach towards culture, concentrating on cultural identity and maintaining, in the same time, national cultures and already existing policies. The unusual system of different European nations cannot be denied and ignored today by anybody. Nationalism is found in the hearts of all

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European countries and it can't be underestimated further. So, considering everything that was being said, what will it be, in this scenario, the future for the European well-being states?

We can clearly admit that there is no going back to the old free standing self-governing nation type of state form and that despite all the controversy and obstacles encountered, EU citizens consider themselves truly Europeans, at least at some level. So therefore as a result, the EU is considered to be the largest single internal market, the world's biggest trader in services and also thanks to its own currency the leader of the money market.

### **Political aspect**

In the current context, some may say that EU should rather focus on political issues and its resultants rather than economical, demographical or cultural one. To start off, it is necessary to analyze the democratic legitimacy of the EU within its own structure, since democracy is a core value for the EU as understood from its activities and proceedings (Kübra Dilek Azman, 2011). Currently, the EU has 28 member states and a population of approximately 500 million people. However, nowadays the EU is criticized for the lack of democratic architecture although it keeps on expanding its authority, a clear evidence being the accession of Croatia, in 2013.

Nation-states decision-making aptitude and policy-making capacities were so much shifted from the national to the transnational level. Nowadays, the notion of transnational and supranational democracy have gained greater power. At the same time, the world's system of international relations has changed remarkably. Conventionally, academic literature on the issue of democratic deficiency in EU is based on two opposing point of views. The prevalence argument is that there is democratic deficit in the EU whilst the minority argument rejects this perspective. The majority argument draws on the two dimensions of the EU. The prime argument claims that the EU's institutional design and configuration is not characterized as a democratic one. Second argument, the socio-psychological one, claims that the EU, as an institution, is not capable of being a real democratic structure, fundamentally. It's clear that one cannot evaluate the concept of legitimacy within the EU entirely on the ground of these structures, since the EU is neither a federal state nor an international government. In some cases, for example if the EU would be evaluated in terms of legality, one might raise a several questions regarding the basis of legitimacy in the EU. Mainly it would be questioned from where does the EU take its legitimacy, more exactly if it has resulted from people or institutions. Further on, the EU is currently involved in the consolidation and establishment of democracy within the member states and the third party, represented by states that signed agreements with the EU. agreements. The support given to the election activities among several countries through electing monitoring represent a visible aspect of this activity of consolidation and establishment of democracy. The EU developed several mechanism and instruments to grow and to inject the concept of mocracy in several countries. The EU has been consolidating partnerships and has been taking part of the process of persuasiveness and confidence-adjustment both nationally and locally, so that it can brace democracy among these countries. It is very important to support independent media and also non-governmental

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organizations so there are taken several steps and measures in this regard. So there is a special budget under the European Initiative for Democracy and Human Rights, for this kind of project related to democracy, so it's indispensable to maintain and to enable future support regarding this topic.

Democracy is an important value for the EU, this being said, the Union has suffered for a long time, for lacking of democracy, whilst we can't neglect that most countries respect the concept of democracy within the EU. This European democracy dispute seems rather ambiguous, simply deriving from the fact that the EU, as an institution, represents a sui generis case. As a whole it has supra-national institutions such as the European Parliament, the European Commission, the European Central Bank, and the European Court of Justice. It's safe to say, that EU as an institution is far from being a classical nation for that reason. In this situation, how should democracy be represented at the EU level? These concerns are the reasons why the EU suffers from this obvious democratic deficit. This problem has been explored and researched by many experts regarding this issue, who have different perspectives on this matter. The EU is seen, from many political scientist perspective, as a main example of transition from an economic union to a political union.

### **Current and future economic prospects**

According to the European Economic Forecast issued by the European Commission, the global world is witnessing a moderate and fragile recovery that is taking place in the EU. Surprisingly the EU economy returned to positive growth in the second quarter of 2013 and continued to recover in the second half of the year, catching speed towards the end. Regarding the short-term indicators, they also suggest a continued economic expansion in the coming quarters. Despite all this, the main obstructions in the way of growth, identified as high debt, unpredictability and problematic adjustment and fragmentation, are still very present and alive. All this will be projected in a moderate pace of economic growth. As far as the GDP, it's expected to grow by 1.5% in the EU and 1.2% in the euro area, following a more noticeably increase in 2015, up to 2.0% and 1.8% correspondingly. The domestic demand represents the catalyst of the GDP growth in the EU, which has turned positive in the second quarter of last year. It's also expected that domestic consumption and investment set to expand further, resulting in a reduced dependency of the recovery on the external sector. Also it can be identify growth within many vulnerable Member States and a narrowing in growth differentials regarding the EU Member States state. Even if, when the topic of global economy it's discussed, it can be observed that it has become more and more differentiated, the prospects regarding the EU are inclined to a balanced growth across the regions.

Europe's economic improvement, which began with the second quarter of 2013, is expected to continue the diffusing process among countries and to further gain strength whilst at the same time will aim at becoming more and more balanced. Although it's expected to see some positive results, however, the recovery still remains fragile. EU GDP, which rose 0.1% in 2013, is

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expected to rise 1.5% within 2014 and 2.0% the following year while growth in the euro area, which was -0.4% for 2013, as a whole, is expected to be 1.2% in 2014 and 1.8% in 2015.

We are observing that the domestic demand is smoothly consolidating, being considered the two year period of contraction, and slowly all the evidence that confirmed the crisis, such as economic uncertainty, excessive debt, financial fragmentation and the need for adjustment and fiscal consolidation, will tarnish away. The fiscal standpoints of the EU and euro area this year are expected to be overall neutral but meanwhile the external trade contribution to growth will incline at being moderate, considering the rise of the import demand.

In alignment with all these developments, the rate of unemployment should decline to some extent, as the labour market recovers. It is expected that it will be observed a drop in inflation at a rate of 1.2% in 2014 before advancing again to 1.5% in 2015. Inflation is seen at 1.0% in 2014 and 1.3% in 2015, within the EU.

As a result of a far better macroeconomic perspective and sustained low-interest rate environment, we've seen that the financial market conditions within the EU has improved in 2013. Although we have seen some normalisation in bank funding conditions, financial fragmentation on the euro-area lending market continues to impair the transmission of monetary policy, affecting primarily small and medium-sized enterprises. Market participants have regained confidence in the integrity of the euro area and in the ambition of the EU and its Members States to bring public debt back on a sustainable path and to look ahead with the necessary post-crisis adjustments, such as the macroeconomic, structural or institutional one. Thanks to investors confidence in the success of the ongoing economic reforms and financial adjustment, financial fragmentation noticeably faded in the sovereign and corporate debt markets, mostly of the bond spreads of the more vulnerable Member States, still continuing to narrow. At the same time, public consumption is also predicted to grow, while as fiscal consolidation demand becomes slighter intense. Within the EU, the current account surpluses increased in 2013 and it's expected to remain overall solid, this year and also the next one. The significant adjustment, concerning the improved exports but also a widely contraction in domestic demand, found in the euro area that already registered high deficits, represent the results of the recent strengthening. The increased price competitiveness, which develops from the lower unit labour costs, is supporting the external rebalancing. It's also notable that substantial improvements in public finances have been made, with the beginning of 2011, within the EU.

In comparison, the world economy picked up in the second half of last year, being guided by stronger growth in advanced economies, especially in the US, likewise some "recuperating" emerging market economies. It's expected that growth will accelerate for most advanced economies in Europe, whilst within the US private consumption is gaining speed benefitting from the supposed vigorous job creation and the climb of house prices. As a result, the Federal Reserve has proposed a progressive deviation towards less accommodative monetary policy. Within Japan, it is expected that the level of growth to remain relatively balanced in 2014 although among emerging market economies, the perspective is not portrayed as proportional as in Japan. There are continued signs of weakness in Russia and Brazil, some stabilisation at more sustainable

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growth rates in China and an improved overview for India. Recent financial tensions have so far mostly affected emerging markets with relatively weak macroeconomic fundamentals, some example being economies like Argentina, Turkey and South Africa, while the EU Member States have been avoided so far.

### **Conclusions**

Although some may say that the EU it's not in its best position it could be, growth in major developing countries and economies in transition, has also decelerated notably, reflecting both external vulnerabilities and domestic challenges. The prospects for the next two years continue to be challenging, filled with major concerns and risks, which makes everything far more complicated. Due to increasing pressure from global challenges international institutions will acquire greater influence, and the emergent economies are expected to increase their influence the context of the international trade and financial agreements. However, globalisation will also tend to marginalize some parts of the developing world. Of course, Europe and the EU as a whole will evolve in the wider international context, and depending on the evolution of the rest of the world, we may have a wider set of scenarios to consider. In a sumber scenario, when we are talking about demographical aspect, more exactly population ageing, this phenomen will continue in Europe, being the result of three factors, as stated before: persistent low fertility rate, the regular extension of the life expectancy and the immigration flows. Manufacturing remains vitally important for the EU economy, and manufacturing productivity is still the motor driving EU wealth creation.

The industrial base in Europe stretches far beyond the industrial core of manufacturing and represents a far greater share of the economy than these basic statistics imply. The strategic balance of military power is likely to change as Asian states close the technological gap with the West in some areas, develop and maintain strong military forces, and produce and export advanced military equipment to allied states and proxies. However, the change of military power balance towards the Asian countries is unlikely, as the overall stream of public military expenditures of the West will be much greater than that Asian over the next 30-50 years. In this case, not all the academics and researchers in this domain have the same opinion, meaning by this that although EU is facing a slight recovery and things aparently look well enough, this does not guarantee a top place for EU when it comes to world superpowers order. Although in all probability the EU will remain intact as an organization and will continue to play a role in the global governance, its position will be relatively weak, challenged as it will be in need of finding a compromise established within the different member states on foreign and global policy issues.

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