

2017 – make or break for the EU?

The strong UK economic performance in the second half of 2016 defied the gloomy predictions of many economists. Nevertheless, these same people are determined to tell us that Brexit will result in economic problems in 2017 instead. According to a number of economists surveyed by the Financial Times, growth will slow markedly during the year. Well, we shall see. The fall in sterling will almost certainly cause a rise in inflation, but worst case estimates put the annual Consumer Price Inflation figure at something between 2-4%, which in recent historical terms is not that high, albeit not terribly good news for consumers.

In spite of Brexit, however, it is events in a number of the other 27 countries of the EU which are likely to cause far more concern during the course of 2017. While the Eurozone economy is recovering, it is still not strong enough to manage without the Quantitative Easing programme which the European Central bank began in early 2015. Italy in particular is looking very wobbly. It is estimated that 18% of all loans made by its banks are “non-performing” – in other words, are highly unlikely ever to be repaid. These amount to a staggering €360 billion in total.

Furthermore, outweighing the economic concerns is the political scene. This year will see general elections in France, Germany, the Netherlands and the Czech Republic and possibly Italy. The likelihood of parties from outside the “mainstream” making significant gains or even ending up in power has been widely reported (See for instance [here](#) and [here](#).) Indeed, Mark Blyth, an academic based at Brown University in the USA, has predicted that the EU will cease to exist by the end of this year.

As James Forsyth wrote in the *Spectator* article mentioned above, however, “The British, it is said, always underestimate the sheer political determination to keep the European project moving forward.” Perhaps he has a point. Many of us who campaigned for Brexit regard the whole EU project as at best misguided and at worst, simply daft. Both during referendum debates and in articles for this website, I have publicly declared “I wouldn’t wish EU membership on my worst enemy”, but is this a sentiment confined to a minority of people in one country which has never been that keen on the EU project anyway?

Certainly Angela Merkel in Germany still exhibits the determination of which Mr Forsyth speaks. She reiterated her belief in the European project only a couple of weeks ago. “We Germans should never be deceived into thinking that a happy future could ever lie in going it alone nationally”, she said in her New Year message.

Meanwhile the Slovak Prime Minister, Robert Fico (whose surname, out of interest, should be pronounced “*Feet-so*”) has urged member states to stop their “adventures” – in other words, holding referendums on domestic issues – because they “pose a threat to the EU.”

“What will we do if ... there is a referendum in Italy on the euro and Italian citizens decide they don’t want the euro?” he asked. What indeed?

On the surface, it appears that Mr Fico is singing from the same songsheet as Frau Merkel, but scratch a bit deeper and it very apparent that the former Soviet bloc countries, while seemingly committed to the EU, have a rather different idea of the way forward. In Poland, for instance, Jaroslaw Kaczynski, the leader of the governing Law & Justice Party, has called for a new EU treaty in the wake of Brexit which would stop, if not reverse, the flow of power from national parliaments to Brussels. “We need reforms which clearly define that the EU is

an association of national states and that national states are the foundation,” he said.

These words are hardly in the spirit of the “Ever closer union” from which David Cameron sought to exempt the UK last year – and it needs to be remembered that this phrase goes right back to 1957. It features in the preamble to the Treaty of Rome which was the treaty which launched what has become the European Union. It is a foundational concept to the whole European project.

Kaczynski is often labelled “Eurosceptic” as is his Hungarian counterpart Viktor Orban. Whether or not this is an accurate label, there is no doubt that their vision of the EU is vastly different from that of the Western European leaders 20 or so years ago. Indeed, according to Martin Schulz, the outgoing president to the European Parliament, the attitude of these men has hamstrung the entire EU project:- “The generation of [Helmut] Kohl and [François] Mitterrand travelled to Brussels with the attitude that a strong Europe is in the interest of our country... The [Viktor] Orbán generation says ‘we have to defend the interests of our country against Europe’ – as if they were being attacked by Brussels.”

Schulz went on to defend both the €uro and the eastward enlargement of 2004, even though both have created enormous problems for the EU. The former has brought Greece to its knees and has given Italy a “lost decade” economically, the latter has brought in a group of nations whose outlook on life is very different from the mindset of Herr Schulz or his Chancellor and are none too keen to change.

It could be that Mr Forsyth is right and that, in spite of both the misery the Single Currency has caused to several Mediterranean nations and the opposition to multiculturalism, social liberalism and various other -isms in Eastern Europe, the EU will muddle through. On the other hand, throw into the mix the forthcoming General Elections and the fact that 2016

did not turn out as the “experts” predicted and it would be a brave man who would bet his money on it.