

market began as an alliance between the coal and steel industries in six nations. No other union or federation in the world had begun so slowly or with such cautious steps. On the other hand it did not acquire, during its first half century, much experience in combating

extreme adversity. Perhaps that is why its current debt crisis is so vexing and humiliating. Ultimately, however, it is more likely to be strengthened than weakened by this experience of adversity.

THE EUROPEAN UNION

Alexander Downer was Australia's longest-serving Minister for foreign Affairs from 1996 to 2007

It always sounded like a great idea. The bellicose continent of Europe which brought us two world wars in a little more than 30 years and plenty before united in a single entity called the European Union. At its heart is the Franco-German alliance, two countries that slugged it out three times between 1870 and 1945.

For all its weaknesses, the European Union can boast two great achievements: there has indeed been peace between its members (although, in truth, there's no reason to believe that wouldn't have been the case without the European Union), and it has created a single, liberal market between all 27 members with a strong framework for competition.

It has its problems, though. The euro is the triumph of politics over economics. A single currency should have been one of the final steps in establishing a United States of Europe. There has to be one fiscal policy, one monetary policy, and one system of economic governance to make a single currency work.

Instead, the Germans and the French decided that by establishing a single currency, they would force the euro economies to converge. In other words, they thought they could achieve economically what was hard to achieve politically.

They failed and the reason they failed was a lack of will throughout the Eurozone to meet the required fiscal and economic targets. Even the French and Germans themselves ignored

the targets! They weren't helped by the need to bail out their banks during the global financial crisis but the truth is even before the crisis hit, Eurozone countries to a greater or lesser extent showed scant regard for the virtues of fiscal discipline.

The future of the euro is now hanging in the balance. Greece will almost certainly default, and it's questionable whether the contagion effect of that default will destroy the euro altogether. If it does, which is unlikely, the whole European project will be in jeopardy.

The second great weakness of the European Union is equally serious. Collectively, the Europeans don't know what they want to achieve. Some, but not many, want to create a United States of Europe with a single federal government based in Brussels. Others want the current level of integration wound back. They see the EU institutions as too intrusive and prescriptive.

In the wake of the global financial and euro crises, European public opinion has turned decidedly against further integration.

Unfortunately, Europe is not sufficiently integrated to present a strong and decisive face to the outside world, but it is integrated enough to restrict individual member states from being strong and decisive. That's because there is a requirement to establish 'European' positions on key internal and external issues.

In foreign policy terms, the European Union punches way below its weight as it struggles to

get 27 countries to agree on common positions. The consequence is a weak, insipid lowest common denominator policy.

Finally, the European Union suffers from a democratic deficit. The perception throughout Europe is that the European Commission—which is unelected—effectively runs the European Union. It's not as simple as that. The commission recommends policies to the ministerial councils made up of the governments of the member states. But it does issue directives

based on council decisions and they can be controversial. The elected European Parliament has increased its powers over the years but it is still seen as little more than a talk shop.

In the world of European politics, perceptions of democratic deficits count. That's one of the reasons the European Union is failing to impress an increasingly sceptical European public.

The European Union has a future but not a very bright one. Its design has marginalised a region that was once the centre of global power.

DOES EUROPE HAVE A FUTURE?

John Stone was Secretary to the Treasury (1979–84), and later, a Senator for Queensland and Leader of the National Party in the Senate (1987–90)

I take no pleasure in saying that Europe now seems set on a path of steady—even accelerating—decline. These are gloomy days indeed for Europe's economies, its social welfare albatrosses, its legalistic overburden, its cultural decline, and above all, its demographic death wish—reflecting a wider loss of faith in Europe about its future.

Some observers would add that beneath all this lies the effective abandonment of Christianity, but that would be going too far afield.

Europe's demographic death wish is evident first in the catastrophic fall in net reproduction rates among women of child-bearing age in almost all European countries. Simultaneously, those countries have permitted growth within them of increasingly large—and highly fertile—Muslim communities that are determined not to integrate into their host communities but avail themselves of all the social welfare benefits the latter offer.

In the last 20 years, one new, predominantly Islamic state (Kosovo), and another (Bosnia-Herzegovina) inexorably heading in the same direction, have become established, with the purblind assistance of the Western powers. Other countries may join them in the decades ahead.

The European Union, originally conceived to end forever the blight of Franco-German warfare, is now marked chiefly by a Brussels-based bureaucracy steadily bent upon centralising power at the expense of local democracy.

The Eurozone—a sub-set of the EU membership—has been from its inception an accident waiting to happen. (This is not hindsight: I predicted it in 'Losses of Sovereignty,' *The Adelaide Review* (February 1999)). Its now ongoing demise will continue to cast a pall over the world of international finance, and hence, over the world economy generally.

The Eurozone apart, there can also be no solution to Europe's economic problems while its nations labour under the weight of their social welfare systems—and the taxation and debt levels those systems have inexorably created. Nor can there be any solution to those problems while their labour markets remain even more sclerotic than our own *Fair Work Act*-governed one.

Culturally, Europe has given the world (including Australia) so much. But with the Muslim hordes once again not merely at its gates, but being blindly admitted within them in ever-increasing numbers, how long will it be before the great cathedrals—like Sancta Sophia