

Euro crisis is an opportunity for the EU

MATTHIAS BRINKMANN

A new chapter in Europe's integration began on Dec. 9 as European leaders reached consensus on a new treaty, showing the type of political will and commitment to the European project necessary to overcome the current financial crisis.

Twenty-six European Union leaders agreed to treaty changes aimed at containing the contagion, ensuring fiscal discipline and favouring economic growth within the EU.

Not surprisingly, euro-pessimists and speculators, who spent months painting a gloomy picture of the euro's future and foreseeing "the EU's downfall," were quick to dismiss this major milestone in Europe's economic governance and crisis response as "no grand bargain" or "an 11th-hour deal."

A negative spin was also given to Britain's rejection of the treaty changes. But what seems to be forgotten in the outpouring of criticism and negativity is the fact that disagreement and dialogue lie at the heart of any healthy democracy. It's a lesson history taught us. Mere decades ago, political divergence led to devastating wars in Europe. We have come a long way from those not so distant days; today political issues can be freely and peacefully debated — the very purpose of the European Union.

We don't pretend to downplay the far-reaching social and political implications of the financial crisis. However, we can also look at it from

a different perspective — as an opportunity to step up political and fiscal integration.

The European Union remains the world's biggest economy, bigger than the U.S. or China — and the biggest trading bloc in the world. The European Union is in fact a single market, highly integrated — in several aspects more integrated than the Canadian market — and which counts more than 500 million consumers. The European Union is Canada's second-largest trading partner, after the U.S., but well before China, and the current EU-Canada negotiations for a Comprehensive Economic and Trade Agreement (CETA) will further boost our bilateral trade flows.

What's more, the European Union, with its 27 members and institutions, is active in a wide range of policy areas such as human rights, transport, climate change, trade, development and co-operation, competition, research and agriculture, to name a few. The European Union remains the largest donor of relief and development aid and a leader in the global action against climate change.

It is regrettable that the media in general pay little attention to the major achievements of the European Union. Instead, a lot is written about the European Union's supposed doomsday, and its fate to fail. Economic facts, however, point to a different reality.

Only a handful of EU member States face public debt problems, most of which being manageable —

perhaps with the exception of Greece for which a voluntary restructuring has been agreed on. However, economies like Germany run at full capacity while those like Poland and Estonia are growing at an accelerated pace.

We don't pretend to downplay the far-reaching social and political implications of the financial crisis. However, we can also look at it from a different perspective — as an opportunity to step up political and fiscal integration.

Overall, the European Union, and in particular the euro zone, is in better financial shape than many other jurisdictions. The euro zone public debt amounts to around 80 per cent of GDP — the same as Canada's and considerably less than United States' 100 per cent or Japan's 197 per cent. The European Union's average fiscal deficit reached 4.7 per cent of GDP

in 2011, compared to 10 per cent in the U.S. and private and household debt levels are significantly lower than both in Canada and the U.S.

Also worthy of note is the fact that the euro is currently the second most commonly held reserve currency in the world (26 per cent of world reserves are in euros) and, despite the financial turmoil, the currency has been remarkably stable. Over the last 12 months, the euro has fluctuated between 1.30 and 1.45 against the U.S. dollar. When the first euro coins were issued in 2002, one euro was worth \$0.88 U.S.

The European Union is a work-in-progress, not without obstacles or stumbling blocks in its path — and it will be strengthened under the current reforms. The great European Union project is what brought peace and prosperity to the old continent and created a unique model of society many European nations aspire to be part of — hence the European Union enlargement process continues with Croatia set to become the 28th EU member state in 2013.

Matthias Brinkmann is ambassador of the European Union to Canada.