Editorial: Economic growth and stability in the European Union

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1 Introduction

The idea of developing a special issue on the efforts towards stability and economic growth in the European Union (EU) emerged from respective discussions that took place at the 6th International Conference on International Business on 21–24 May 2015 (http://www.icib.eu/icib-2015/). The fragile economic recovery following the global financial and economic crisis, and the climaxing refugee and migrant crisis, are an example of the issues that endanger stability in the EU and where diplomacy – and particularly economic diplomacy – is the main tool to confront them. Economic diplomacy has proven to be an efficient tool to politicians for the management of economic crises (Dragan, 2014) and security issues (Hazakis and Chailis, 2013; Turvey, 2014), and a useful instrument for understanding international developments such as the involvement of supranational organisations (e.g., the International Monetary Fund) in economic crises (Bayne, 2012; Papadopoulos and Vlachos, 2015).

The main question regarding the issues that endanger stability in the EU is whether European economic diplomacy, in terms of trade negotiations, trade and investment promotion (or commercial diplomacy), financial governance, and development assistance and/or sanctions (see Okano-Heijmans, 2016), is set by EU institutions or the EU member states. A coordinated, coherent EU level approach to economic diplomacy kicked off by EU institutions in 2013, and is commonly framed in relation to the need to deliver growth and jobs in the EU (Okano-Heijmans and Montesano, 2016). The papers of this special issue address this matter and focus on the outcome of European economic diplomacy amid and after the economic and financial crisis.

2 The EU at a crossroads

Is Europe at a crossroads? Considering the multiple crises that the EU faces, i.e., the economic and financial crisis, the refugee and migrant crisis, and the complex decision making and response mechanisms that question EU's democratic functioning, it is easy to comprehend the causes of increasing Euroscepticism, whose worst consequence on European integration is, for the time being, the incidence of Brexit.

The sovereign debt and the financial crises have been falsely perceived as problems of, and consequently with impact only on, the euro area, since they have been dealt through euro area institutions, i.e., financial assistance accompanied by economic adjustment programs and the gradual formation of the Banking Union. Financial assistance was required and received by eight member states of the EU, with four of them being members of the euro area at the time of receiving assistance (DG ECFIN, 2014). Equally, the poor performance of economic and social indicators of EU member states in the aftermath of the crises raises concerns about the future direction of the Union.

Although the global financial and economic crisis has admittedly ended in the first half of the 2010s, and from the sovereign debt crisis that followed, only Greece is still in need of financial assistance, full recovery is still in question. The impact of the crisis is still visible across the EU, as several member states have not yet fully recovered in terms of gross domestic product (GDP), fixed capital formation, and employment. Eurostat data (2016) reveal that by the end of 2015, 17 (out of 28) member states recovered, i.e., surpassed the amount reported before they were hit by the crisis in terms of GDP, seven members in terms of gross fixed capital formation, and merely two members (Germany and Malta) in terms of employment. The worst recovery performance belongs to the periphery and the South in particular, with Greece being the tip of the iceberg, since the country experience from the eruption of the crisis onwards has led to economic depression.

The requirement for a broader-based and more sustained recovery has led EU institutions to undertake initiatives such as the European Commission's Investment Plan for Europe (known as the Juncker Plan), which led to the development of the European Fund for Strategic Investments. The particular investment plan aims to substitute for public investment expenditure, since the latter has been contracted under the requirements of debt sustainability and the generation of balanced government budget (if not surpluses). Before the fruition of this initiative, EU institutions had considered alternate options to enhance government revenue and assist economic recovery. For example, following suggestions by the academia [for a discussion see Bitzenis et al. (2013)], a request was made by the European Parliament's Committee on the Internal Market and Consumer Protection and a report (Muller et al., 2013) was prepared by the Directorate-General for Internal Policies about transferring activities from the unofficial to the official economy.

Despite all efforts made, as long as economic growth moves at marginal rates and full recovery (i.e., accounting for investment expenditure and employment rates) is not achieved, voices of concern (particularly in the periphery and the South of the EU) over austerity measures for the management of public finances contribute to the increase in Euroscepticism. The Brexit outcome both to the UK and the EU, and the persistent reluctance of EU member states to fairly distribute the migration flows instead of containing the impact to the sole transit countries (mainly Greece, Italy, and Turkey), will threaten even more the future of European integration.

The informal EU summit at Bratislava on 16 September 2016, that took place without the Prime Minister of the UK, had the aim of reducing the tensions that have been growing in the Union, especially after the Brexit referendum on 23 June 2016. The European leaders focused on consensual matters and on a roadmap for reforms capable of restituting confidence in a lesser-attractive Union, without even mentioning in the final text (Declaration of Bratislava) the tensions that have been dividing the EU because of the mismanagement of the economy and of the unfolding refugee crisis. The best the 27 EU member states could realistically do would be to send a clear signal that the disintegrative tendencies would be brought to a halt, and that concrete new plans for a gradual, albeit slow, recomposition would be drafted so as to restart the process of European integration. This was achieved, but only partially.

The Declaration of Bratislava is akin to a squaring of the circle. The text omits any reference to economic growth and to a fiscal stimulus via a carefully designed and temporary deviation from the stability and growth pact in order to enhance public capital investments for the sake of economic recovery. Yet, that is exactly what is needed by the countries of the European South, particularly Greece and Italy. It also omitted any reference to a plan for the relocation of refugees from Turkey directly to EU countries and for their obligatory redistribution from those countries that have been receiving great pressure from migratory flows (notably Greece and Italy) to the rest. President Juncker himself talked about a 'flexible solidarity' in his State of the Union address on 14 September 2016, signalling thus a shift towards a voluntary reallocation of refugees among those EU member states that are willing to cooperate with Greece and Italy. The only truly new commitments that the EU seems to take on are the gradual enforcement of joint operational structures for security and for the protection of the EU external borders, and the creation of a fund for European industry. These are, concretely, the only topics where a minimal consensus can be achieved in the EU at this moment in time. Yet, these commitments satisfy de facto the agenda mainly of the Eastern European countries, not the Mediterranean ones. The latter are called to show patience for six more months until the Conference of Rome in March 2017 for the sixty years of the Rome Treaty (25 March 1957), and of course to intensify their efforts to exert some influence on the proposals that will be presented on that occasion by the traditional Franco-German axis.

On 19 September 1946, Sir Winston Churchill made his famous speech on the 'United States of Europe' (without Great Britain) in Zurich. Seventy years later, it seems that the European youth cannot expect some ardent federalist vision that will give her new impetus, only some efforts to square the political circle.

3 Overview of the special issue

In the opening paper of the special issue, Konstantinos J. Hazakis and Georgios C. Chatzievangelou explore similarities and differences in the economic adjustment programs of euro area and Latin America countries with regard to macroeconomic, fiscal and structural policies. The authors explore the context of conditionality set by the International Monetary Fund for securing fund loans repayment throughout economic adjustment programs. The authors carry out a comparative institutional analysis and find that the fiscal priorities of the economic adjustment programs undermine economic convergence, structural economic transformation and social development. Based on their findings, the authors argue that conditionality terms and economic adjustment programs have to be redesigned to equally favour economic efficiency and social equity.

Ioannis Papadopoulos critically discusses the Investment Plan for Europe (otherwise known as the 'Juncker Plan') as the EU response to the current disinvestment crisis, under three axes: its political dimension (governance and philosophy, community and intergovernmental aspects), its financial aspect (sources of funding, the issue of leverage), and its investment aspect (priority sectors, the discussion on the possible impact on growth). The democratic accountability of the plan, its efforts of crowding in private investments in times of austerity, a possible sanctuarisation of other EU resources providing the Plan's initial funding basis, the geographic allocation of investment funds channelled through the European Fund for Strategic Investments, the Plan's inclusion of a social economy aspect, its best possible combination with the fiscal strictures of the stability and growth pact, and its additionality effect instead of a crowding out effect of private capitals, are the main issues taken up by the author. The basic conclusion is that the Investment Plan for Europe is a welcome but insufficient initiative, and that it should be widened to a specific exemption of some categories of public capital spending with high multiplier effects from the upper limits of expenditure of the EU fiscal policy framework, by making use of the flexibility provided by the Fiscal Compact.

Aristidis Bitzenis, Vasileios A. Vlachos and Dimitrios Skiadas take the interest of EU institutions on the activities of the unofficial economy as their starting point in order to indicate the actions taken by EU authorities for tackling these activities. The authors adopt the definition of the phenomenon proposed by EU institutions, since it is the activities of the 'shadow economy' that may be transferred to the official economy under certain circumstances. By referring to the most important legislative actions of the EU in the field of the shadow economy, the authors indicate that these have been so far rules that aim to improve cooperation and exchange of information between national authorities of member states. The authors distinguish between tax evasion and undeclared work and indicate how recent developments have stimulated efforts of EU institutions to regulate these matters. Their paper will provide a blueprint of the legal background in the EU for all future studies and policy recommendations for transferring the activities of the shadow economy to the official economy.

Despina Anagnostopoulou claims that the management of the economic crisis under the 'Troika/Quartet' representatives has cast a heavy shadow on the EU values of democracy, rule of law, equality, human dignity, and fundamental rights. She purports to address the question whether the EU values and the Charter of Fundamental Rights apply to actions for economic adjustment taken by the EU institutions outside the EU legal order. The author makes clear that the patchwork of regulations affecting the coordination of EU member states' economic policies and the Economic and Monetary Union (EMU) legal framework both must serve the objectives of the EU, first and foremost the promotion of EU values. The author finds that the EU value of democracy is not well served in the EMU framework during the economic crisis, and that the accountability of the Troika/Quartet is not legally established. She reviews the case law of several national constitutional courts (in Greece, Portugal, Italy, and Cyprus) and of the European Court of Human Rights on the compatibility of the EU adjustment programs with fundamental rights, and concludes that the Europeanisation and the re-inclusion of EU economic policy, including rescue mechanisms such as the European Stability Mechanism (ESM), inside the 'community method', combined with control by the European Parliament and the Court of Justice of the EU (CJEU), is of the utmost importance for the continuation of the EMU and of the European Citizenship project.

Dimitrios Skiadas assesses the ICSID Tribunal *Poštová banka and Istrokapital v. Hellenic Republic* case (9 April 2015), which had to do with the sovereign debt restructuring process initiated by the Greek Government in March 2012 (known as 'the Greek PSI') and the subsequent losses the financial institutions suffered on their investments on Greek Government bonds. The Tribunal decided that it had no jurisdiction to hear the dispute. The author examines the technical aspects of the case, notably the *rationae materiae* competence of the Tribunal, the issue whether there was an investment under the Cyprus-Greece Bilateral Investment Treaty or not, and whether Istrokapital may or may not base jurisdiction on assets of Poštová banka, and finally whether Poštová banka's interests deriving from Greek Government bonds are or not protected investments under the Slovakia-Greece and Cyprus-Greece Bilateral Investment Treaties. He then goes on to draw more general conclusions regarding the concept itself of foreign direct investments (FDI) and the entire international system concerning their protection, taking into consideration that the Lisbon Treaty has attributed to the EU competence on matters of FDI, and that international agreements such as the Transatlantic Trade and Investment Partnership (TTIP) between the EU and USA are now being negotiated.

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