



# Learning from the EU

The European Union remains the world's most successful regional organisation, for now, even when Europe is experiencing possibly its worst twin crises.

BEYOND the simple logic and easy sentiment of nationalism lies the necessity and appeal of regionalism.

And among the world's regional organisations the European Union is widely recognised as the most successful, both in today's world and in history.

However, like all achievements that success is conditional and qualified. These days the EU is looking less successful than ever, whatever its strengths may still be.

Among its major headaches is cash-strapped Greece, which gave democracy to the continent and the world. Now if only the continent could give Greece some more cash.

After five months of seeming paralysis, things suddenly lurched forward. But the flurry is not necessarily for the better.

By this weekend the European Central Bank had to pump cash into Greek banks for the fourth time in six days. But five crisis talks had to be held in that time, most of them aborted over lingering disagreements.

European creditors are demanding more reforms before they

would hand out more money, but for Greece to remain in the euro-zone it had to be given more cash anyway.

The EU is still deciding whether to fork out another US\$270bil (RM1.02 trillion) to save Greece. It is pressuring Athens on a restructuring plan that would include revisions to its taxation and pension schemes.

But first, Greece has to repay the IMF 1.6bil euros (RM6.75bil) as its latest loan instalment by Tuesday, or else capital controls would be needed to avoid a default.

Today is "D-Day", the deadline for a solution, or the default could happen within 48 hours. For Europe, Greece's predicament is particularly urgent because it involves more than money, serious as the cash situation already is.

Greece has become a strategic country for Europe because of Prime Minister Alexis Tsipras' savvy positioning of his country. If Greece is ejected from the euro-zone, it could draw nearer to Russia.

Athens would not go with Russia

if it can help it. So, its strategic positioning seems to say, Europe should not push Greece too hard if it need not really do so.

Tsipras' leftist Syriza party was elected into office on its pledge to renounce the austerity measures its predecessor had accepted. Now Tsipras' government is heading for trouble domestically for having to acknowledge the need for such measures.

Athens has had to come face to face with this reality. If only the Greek population also would.

But Greeks also know that the EU's latest economic performance should give their country more leeway: possibly the best growth yet since 2011. Yet allowing Greece more slack could spell dissent in other countries like Ireland that had to discipline themselves.

Meanwhile, both Europe and Tsipras have had to come up against popular Greek public opinion, which remains steadfastly against any public sector cuts or increased taxation.

They too need to confront this reality, which has been Greece's

historic gift: democracy. Thus a Greek tragedy readily morphs into irony.

Greece is part of Europe in a very profound way, not least because its problems are very European. Notwithstanding the current positive data, the continent's long-term outlook may not be much rosier than Greece's own.

Nor is Greece the only headache for Europe: Ukraine is another.

Just as Greece is pivotal for Europe not just economically but also strategically, Ukraine is decisive for Europe not just strategically but also economically.

There is no mistaking the fact that Ukraine is veering towards becoming a basket case in Europe. The analytical error in Brussels is to assume that Russia is interested in somehow swallowing Ukraine after Crimea moved to join the Russian Federation.

Much as the EU may dislike Moscow's current play, there is no argument that President Putin is savvy enough to avoid placing further burdens on the Russian economy by taking any part of Ukraine.

Certain localities like Transnistria are particularly distressing economically, and parts of Ukraine are similarly blighted. Instead of growth and a promise of stability, there are pockets of stagnation, regression, illegality and violence.

To the extent that the EU feels it needs Ukraine to be part of a politically contiguous Europe rather than see it drift towards Moscow, Kiev is another burden for the EU.

Over the longer term, that is where Russia has Europe snookered.

To be weighed down or rocked by one country's crisis projected onto the continent is bad enough. The EU has to handle two at the same time.

And at the forefront of both is Germany. With Europe's strongest and most promising economy, it is just as well that Germany is the frontline state on both fronts.

Yet it also spells the limits of the EU. Formed after the Second World War and energised after the Cold War, the EU is a window to the future in a room of the past.