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Upheavals in Europe: European Identity and Crisis Solution
Europe of the Three Regions

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The institutional forms adopted by the EU are based upon the implicit assumption that a common European identity would substitute for national forms of identity as a natural evolution. Although the European identity does exist, it does not allow for the kind of “one-fits-for-all” of the present EU system. The European identity – contrary to national identities – is a common set of democratic values shaped for respecting the very existence of heterogeneous national components. This paper illustrates how the EU institutional structure and governance should reflect such a plural identity by an alternative approach for maintaining social, cultural and economic differences (sub-identities) to legitimize the necessary acceleration of integration.

Introduction

The EU crisis reflects the unresolved opposition “supranational sovereignty” versus “national sovereignty”. The solution we propose is merely to adjust the governance structure along a more active use of the subsidiarity principle in its both constitutive ways (upwards for centralizing very few tools and downwards for most of the policies). The purpose is to reduce the democratic gap with the citizens and between sub-regions, by providing an operational way to ease the consensus building both among Member States, sharing closer cultures, and across the main groups of Member States with different sub-identities. This solution consists in combining two initiatives that don't imply any change in the Treaty decision-making procedures: to introduce sub-regional intermediary levels and to focus on market sanctions rather than fines for disciplining budgetary policies. The combination of such an intermediary level with a credibility competition in front of financial markets would allow for strengthening cohesion inside each group of like-minded countries (sharing closer cultural ties), as well as improving the convergence between these main sub-identities that constitute the main building-blocs of the EU common identity.

In the following, we articulate our analysis in more detail and propose problem solutions.

Democratic Gap

The democratic gap comes mainly from the inadequacy of the EU institutional architecture with the common identity shared by the Member States. For pro-Brexit supporter supra-nationality would be a dangerous illusion threatening democracy which would be only nationally rooted; while for the opponents to Brexit national sovereignty would “no longer mattered, that it was an illusion, that it could safely be pooled within the EU, and that anyway trying to exercise it would bring disaster” (Tombs, 2015).

There is an urgent need for a deeper analysis of both beliefs that rely upon identity simplistic views: for Brexit supporters only national identities do exist; for the opponents common EU identity does predominate national considerations.

For IRELAC¹ Institute this lack of analysis of the identity dimensions is a fundamental reason that allows for explaining the weaknesses of the present EU institutional architecture, and the recent wave of anti-EU populism. In fact, the institutional forms adopted by the EU are based upon the implicit assumption that a common European identity would actually substitute “naturally” for national forms of identity, according to the same process that was observed when big national identities emerged from local idiosyncratic peculiarities. This apparently “common sense” assumption relies upon the current belief that the common European identity would merely be some kind of convergence towards an “average” (or a mixture) of its national components, and that the nature of an EU identity would be similar to any national one. This hypothesis is wrong for reflecting a misunderstanding of what actually is moving the regional integration process: it results precisely from the respect of the national sovereignty, from which something, new but complementary, could result as far as democratic processes might be ensured.

The Brexit Debates

The present Brexit debate illustrates the wrong answers both camps are giving to the EU crisis. Our present systemic EU crisis is the result of the “*democratic gap*” accumulated by several decades of politician practices and abuses in the way the EU is managed and decisions are taken. This deviation of powers is both cause and result of the so-called democratic gap. It also explains the dramatic gap between the collective expectations from the EU and its effective visible results.

In turn, citizens address blindly their criticisms against the EU itself, against those who are emblematic of the EU integration, and those who have taken power and advantages from the open regionalism and the globalization.

Independently of discussing whether the criticisms are founded (they are according to our views), the democratic gap is cleverly channeled by populist movements which make now virtually impossible to build consensual solutions, and which push democratic parties to react, but in the wrong directions, by claiming even more national powers, too. Or more centralist powers, but in an intergovernmental manner, allowing to strengthen the national grip of the major countries upon EU decisions in a counterproductive way.

Vicious Circle and Populist Criticisms

A genuine vicious circle is presently in action, strengthening the populist criticisms: more populism provokes more national reactions from traditional democratic parties, which in turn makes more inefficient the EU architecture and tools, worsening the crisis and accelerating the democratic gap in a cumulative circular causality, giving additional arguments to the most primitive populist movements.

Ceteris paribus, this game should lead to EU disintegration, conflicts and impoverishment of Europe. Indeed, the reforms required for emerging from the present crisis – i.e. more EU integration, more economic openness, more solidarity, more assimilation of immigrants – are massively rejected impeding any positive escape for democracy and economic growth.

These options could not anymore be supported by clear political majorities, creating a vicious circle which makes worse the democratic gap, and more difficult to gather a consensus across Europe, impeding so to trigger synergies and better governance. This system is demonstrating what the populists want: the perverse inefficiency of the EU.

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An additional round of this vicious circle comes from the official reactions claiming for more Europe, but in fact for more centralism (like the “Merkozy” fiscal union or the Macron’s proposals) for recovering powers, but worsening the popular rejection. EU analysts and journalists generally insufficiently perceive this deep contradiction.

Asymmetry of Information

Populist risk is multiplied by the asymmetry of information when growth and trade are too low. With the present (durable) crisis, perceived winners have become a minority which concentrates unfairly income distribution and majority of citizens reacts with atavistic xenophobic reflex feeling exposed to losing “their rents” (job destruction and wage-cut under external competition and delocalization, technologic restructuration and budgetary austerity). Therefore, they look instinctively for primitive trade protectionism, state intervention and any alternative local options.

This asymmetric collective game is all the more perverse that it leads to revert the EU integration process and the border opening, which are the roots of the past prosperity, but also the only way to adjust productivity upwards for paying for their own ageing, saving financially their own social protection and so the social cohesion. Since the same trend is observed in the US, the UK and in most democratic countries, with the same degree of reluctance to trust the traditional oligarchies and the (too often corrupted) political parties, it is clear that behind the questioning of integration and openness it is in fact democracy which is at high risk, and not just in Europe.

EU Systemic Fragility and Threat for Integration

The caveats in the EU institutional architecture create a systemic fragility which is a threat for integration. It took half a century to build part of this fragile house, and to set the basis of a genuine “EU identity”; but it could be easily destroyed in a single legislative period, in just a single big country without any possible intervention from the majority of EU citizens. This fragility comes from the insufficient effective common identity, which can only be built by more integration, more collegial decision making, more cooperative cooperation; the reverse of the “Merkozy” or the “Merkollande”, or even the announced search by President Macron for a formula of more centralistic economic government in the euro-area, and mainly through a deeper intergovernmental French-German cooperation.

This is another symptom that something is wrong for systemic reasons, and therefore calls for systemic solutions. The only way to shape an efficient response in this case is to identify the systemic nature of the fragility and risks. This implies that we dare to question the whole building structure, its architecture and the way decisions were (not) taken and mistakes were done. In particular, the main caveat is the mechanism of decision at the ECOFIN level, in which the national Ministers are “judge-and-parts”, making impossible to enact fair and efficient decisions, as clearly illustrated by the management of the Stability Pact and the whole failure of budgetary discipline and Pact sanctions.

Populism is not the Cause but the Symptom of EU Malfunctioning

Populism exploits a legitimate (but contradictory) popular concern – it is not the cause but the symptom of the malfunctioning of the EU. The point is that it is useless and meaningless to accuse populist leaders, or to consider that public opinion is poorly educated or misinformed by crazy politicians, with their electronic strategy to “desinform” with “alternative truths”. Populism is a major reality, a stubborn fact that expresses a reaction against the guilty establishment, which is self-protected from changes by the money of those who are exploiting rents from the current situation and globalization. In the EU, this reaction puts in question the mismanagement of those in charge who were unable to protect citizens against austerity and restructuration, but who extract powers

from the fact that the regional integration was supposed to bring growth and macroeconomic stability to their voters.

National Politicians' Abuse of EU Treaty

The malfunctioning of the EU allowed for populist demands to be effectively satisfied or tolerated by national politicians who violated the common goods and the Treaty². People were told by politicians and EU authorities that the Treaty and the single currency would warrant sound management and more job-led-growth at the very moment they were all cheating violating the common disciplines. Most national politicians (there are very few exceptions) seized the benefits of the euro for themselves in order to win next elections, but not for adjusting their wrong policies. People were abused by the coalition of those using the “official truth” of telling they want “more Europe”, when in fact they are using it for domestic purposes and passing the bill to their neighbors. This is the opposite of regional integration.

Stopping the Present Derive towards EU Inter-Governmental Management and the Euro

Populism could be defeated by stopping the present derive towards intergovernmental management of the EU and the euro. The genuine priority is to focus upon the “democratic gap” and to be able to undertake a questioning of the way the EU institutions have performed, and overall the way the EU institutional architecture could work when these institutions are used and abused by national politicians and vested interests.

It is therefore incoherent and dangerous to claim for deeper integration of the members of the Eurozone together with the revitalization of a genuine solidarity within the single-currency bloc; the creation of a true fiscal union in addition to the monetary one; and the development of a social pillar in the Economic and Monetary Union. These nice ideas and projects – although valuable and corresponding to most official discourses on the Continent – are precisely options clearly rejected by most populations and several Member States, because they are not supported by a previous consensus towards more centralization, i.e. citizens do not want more transfers of power towards a federal UE. As far as it is not understood from the beginning that pushing towards EU centralization is presently counterproductive, the important exercise of reforming the EU and the euro governance is doomed to fail.

Why? The main reason is not only the present lack of popular consensus for federal actions and goals, but also the popular rejection of the way the previous belief into the EU was used “undemocratically” by national politicians for their own interests. Fighting against this hidden derive towards inter-governmentalism with more centralization – like a social or fiscal union – is making worse the effective hidden inter-governmentalism if the institutional architecture remains in the discretionary hands of national policymakers which are “judges-and-parts” as the euro crisis has been demonstrating for a decade (and is about to be even clearer). A social or fiscal union in the present situation would strengthen massively the populist movements against the EU and would accelerate the disintegration of the EU.

Embracing the Paradox of the EU Common Identity

The paradox of the EU common identity is the need for respecting fully national sovereignties and differences in national cohesive identities. Acero (2017) formulates the strong thesis that not being fully aware of an essential and persistent difference between a common identity at multi-national level and the common identity shared by citizens, as a result of the historical construction of a single

² As expressed very frankly by the President of the Euro-group, Jean Claude Juncker, in 2007 “*We all know what to do, we just don't know how to get re-elected after we've done it*”.

nation, should be at the very basis of our difficulties to remedy to the democratic gap and the resulting EU crisis. Not just in its institutional aspects, but even inside its economic governance features, such as the mismanagement of the Euro-area crisis.

What could explain such an essential difference This is not clear, please paraphrase and make it simpler. Basically from the opposite nature of both processes of identity construction: at national (or local) levels, identity was built by cohesion against foreigners and differences, most often as a result of political movements or power enforcement, at the EU level, a common identity emerges from similar choices for democracy and social values in spite of other differences, making possible to launch a voluntary cooperative processes which create value added by combining complementary features between different national cohesion processes.

This difference is more fundamental that one could think at first glance, because the historical forces behind the emergence of national cohesion at Member State levels are contrary to the forces that made the EU integration possible. National identities, even after being softened by the (more recent) generalization of democratic practices, remain intrinsically the result of a (very) long historical process for reaching national cohesion and generally imposing it undemocratically: national identities were generally forged by violence (“swords and rapes”), and opposition to - or even exclusion of – foreigners and differences.

On the contrary – and largely in parallel and in reaction against nationalistic violence and messianic dogmatism against differences – cohesion forces behind the EU integration grew up from a (also very) long process, for forging a common identity based upon the progressive construction, and diffusion of common humanistic values leading actually to parallel national democratic processes, generating the respect for differences and local sovereignties. Indeed, the EU is the first (after the comparable and very unique case of the US federation³) democratic process of regional integration in human history. It means that – contrary to other cases of empire integration – it is based upon the full respect of national sovereignties, by sharing common democratic principles and auto-determination basic rule, by reaction to European wars and totalitarian regimes.

The needed process for the EU integration towards a common European identity leading to opt democratically for (very limited) supranational tools, and the simultaneous need for respecting the very existence of heterogeneous national components should be seen as two complementary dimensions of a successful EU integration. This kind of Integration based upon the “subsidiarity principle” requires sharing a common basis of democratic principles: a minimal but strong common identity, upon which a consensual building of closer cooperation could emerge step by step by democratic consensus.

The “European method of integration” is an attempt to allow for a progressive natural selection of practices favoring the ability to find a cooperative formula (Ghymers, 2005) between various opposed components. The inner character of the European identity – and thus of the “European method” which has led to successful integration – is the ability to capitalize in a collegial way from heterogeneous cultures and differences in identity features. The European identity is the result of interactions between national differences along a long “trial-and-error” process, which allows for a progressive natural selection favoring the building of cooperation formulas across heterogeneous components.

The “Prisoner Dilemma” of the EU Common Identity

³ The case of the US is very specific for having been feasible in a quasi-vacuum space among a quasi-single social class composed with emigrants escaping from European religious, political or economic persecutions, easing the formation of common principles for ruling social life. This experience is not reproducible in other regions of the world. Furthermore, even in these ideal conditions for integration, a bloody civil war was needed during 4 years and 617.000 dead victims (much more than any external war in which the US were engaged) for ensuring the triumph of the federal Union integration.

The progress in EU common identity is blocked into a “prisoner dilemma”⁴ which impedes to reap the EU value added for solving the crisis. Today it has become a banality to state that the global economy is going through, not a cyclical crisis, but a very systemic one, in which economic policies seem unable to resolve the major challenges facing our societies. This is true not just for Europe, but also for other regions and economies, as shown by the populism upsurge and the resulting threats for democracy in different cases. However, the specificity of the EU disease is that the failures of the EU institutional construction become more visible, and constitute as such an aggravation of the European crisis and challenge creating an additional handicap for the world economy.

On the one hand, the macroeconomic policies of the major economies have already reached their limits: the very high level of public debt prevents widespread use of fiscal instrument, which would normally be necessary in the present cycle of balance-sheet recession (“deleveraging”) with a clear need for compensatory demand (standard Keynesian equilibrium of under-employment). While, the pursuit of very expansionary monetary policies for almost a full decade has been exhausting their positive effects on real investment and growth, exposes now the economies to new risks and challenges as they fuelled new financial and real bubbles. They are creating serious distortions in the allocation of savings under the massive speculation that threatens global stability and makes especially delicate to stop pumping in massive liquidities. In this context, a cooperative approach is all the more needed that these economic policies generate growing spill over effects upon integrated partners.

On the other hand, as illustrated before the shortcomings of European institutions and the visible democratic gap inhibit Community responses to the crisis and implementation of structural reforms. As we have seen how this opens the way to a vicious circle of disintegration, as common identity is impeded to play its role: growing populism destroys trust and impedes cooperative measures with inevitable worsening of economic difficulties, and making any rational reaction more difficult for correcting the EU caveats. A “prisoner dilemma” which could result in a dramatic socio-political crisis. Coming cyclical downturns (or slowdowns) could worsen the crisis, and trigger inevitable bursting of the multi-bubbles. A cumulative domino effect that could – in the worst scenario – even destroy the economic and social foundations of our Western civilization.

In the face of this emblematic impasse in which policymakers have been caught since the big 2008-2009 crisis, IRELAC launched its multi-disciplinary research on the role of the common identity for efficient EU governance.

In order to find feasible consensual, adequate cooperative policy responses we think that the EU’s deeper problem of identity has to be faced. Our working hypothesis is that to get out of the prisoner dilemma trap the synergies that exist at the regional level should be addressed. Our research on European identity makes us now even more concerned and worried, as we are seeing our problem analysis continuously verified in reality.

The Need for a New Method, Coherent with our EU Common Identity

The recurrent lack of coherent responses from economists and main policy makers, who limit themselves to preserving the status-quo by prescribing no more than short-term prescriptions, postpones only difficult decisions. Actually, amplifies the causes of the difficulties.

⁴ Strictly, a prisoner’s dilemma is considered to exist when individual gains from not cooperating are perceived ex-ante as higher than the individual reward for doing so, or the perceived individual loss from cooperating is higher than the expected cost of not cooperating. We apply it here to national policymakers who are trapped in no-cooperative behaviors.

We endeavour to undertake a more general reflection based on the contributions of various disciplines. The purpose is to attempt to achieve a holistic diagnosis, capable of orienting towards coherent and workable solutions.

The crucial challenge is finding a new approach coherent with the existing basis of a common EU identity among a plurality of national identities. In order to make more consensual and legitimate the implementation of EU cooperative schemes, solutions should be able to respect fully the common integration goals by using local and national specificities to create value added cooperative actions. This is feasible by focusing upon pragmatic ways to put in place a “cooperative competition”⁵ (Ghymers, 2005), through decentralized and market-conform mechanisms for building broad consensus simultaneously among nations, sub-regions and for the EU as a whole.

The purpose of the research backing our positions was to try to identify the building blocks of the so-called “European identity”, and the degree of perception of this “shared identity” in the EU. This permitted to get an overview of essential perspectives on the identity problem and the system of popular reaction with mass mobilization. Thus the creation of a social discourse both, by the traditional elites and by some outsiders trying to surf on the popular dissatisfaction and fears for catching the power.

Such an analysis of the economic system on which our Western civilization is based, and which has driven its evolution up to now, makes possible to understand the present emerging risks of schism and disintegration of Europe. As a matter of facts, recent events show that Europe is exposed to losing its identity, and betraying the values which have been making it greater since the Enlightenment.

Although a European identity does effectively exist, it does not allow for the kind of cultural uniformity or harmonization and “one-fits-for-all” of the present EU system, and its Euro area. The European identity is a set of values that make possible and easier to use differences for generating a value added, as far as a cooperative system does work. Indeed, a common European identity does exist, but not as a cultural uniformity allowing for single governance scheme; but, rather, as integrative dynamics among durable cultural differences, and even opposite sub-identities.

Therefore, the EU institutional structure and governance should reflect better such a plural identity, by an alternative method for using social, cultural and economic differences (sub-identities at regional levels) to legitimize the necessary acceleration of integration across them, for building consensus able to generate additional benefits for all.

The Crucial Role of More Active Subsidiarity

As already mentioned, historically the formation of national identities was everywhere the result of long processes of forced integration generally imposed by violence, not by democracy. Democracy itself emerged from local forces, which were able to be extended to broader national territories as far as the inner cohesion of a national identity was able to prevail.

The EU integration process, although initially emerging also from previous wars, is the first one (after the US special case) to be based upon a full democratic will, through a fully peaceful manner in the full respect of national sovereignties, demonstrating the existence of the basis of a common European identity, which is – contrary to the creation of national identities - intrinsically associated with democratic values.

However, this common European identity is very different from the national ones, because it offers a peculiar paradox: the contradiction between the necessary decentralization inherent to democratic pluralism, where cultures and local sub-identities are durably different, and the necessary centralization of actions and tools for making possible the integration process, and its value-added economic efficiency. This contradiction disappears at national level, as far as a territorial entity enjoys

⁵ Member States compete as sovereign responsible but inside a common scheme of dialogue, rules and collegial monitoring at the EU level which allows for cooperative actions, see Ghymers C. 2005.

a strong single identity; but it is all the more important in the EU where the common identity is not only weaker, but inherently different as it is based upon the acknowledgment of differences and full respect of national sovereignties. Democracy requires a narrower geographical scope; while integration requires a broader scope of actions, and some degrees of centralization of powers.

The solution does exist and is simple: democracy has also a spatial dimension. Subsidiarity principles should make compatible democracy with centralization as far as there is sufficient awareness of the advantage of a clear centralization in very few natural and obvious areas very different with respect to the huge majority of other areas for which the efficiency of supranational action remains unclear. Therefore, subsidiarity tends to be easier to become legitimate and to be perceived as more democratic.

Europe of the Three Regions: E3R

Acero (2017) sustains that the key is to “harmonize” economical patterns in a fully democratic way, and not by imposing majority against minorities. This is feasible through a more active principle of subsidiarity in both ways: upwards to the EU and downwards to the regions. By opening an intermediate level of integration made up around the three strong sub-identities: Mediterranean, Central-Northern and Eastern Regions. Following the three main Indo-European language roots (Germanic, Roman and Slavic languages) that conform Europe.

This approach of a “Europe of the three Regions” (E3R) could be fully compatible with the existing Treaty, the Member States respective sovereignties, and the EU decision making procedures, by merely adding – either voluntarily, or by normal Council of Ministers decision – an intermediary step. In this way, the sub-national regions could get incentives for participating more actively together with their own Member States, in order to build each of these three broader multi-national regions.

Such an intermediary level would create new dynamics and facilitate the EU decision process, which would intervene only after passing through a two-tiers system of dialogues for building consensus. An intra-regional consensus among each of the three main groups, and an inter-regional dialogue across the three regions, for reaching an EU consensus when needed according to the Treaty.

Thus, our proposal of “Europe of the three Regions” is an alternative for maintaining, or even accelerating the integration dynamics through an intermediary level of “subsidiarity”, that each of these three main regions might decide on their own. Such a voluntary level is more apt to take into account the socio-cultural and economic differences (sub-identities), and to benefit from a stronger cohesion for legitimizing the necessary acceleration of integration. The intermediary level could open to more “tailor-made” options, and strengthening, when useful, the voices claiming for sub-identity differences inside the EU. This intermediary level allows to preserve the cultural and social peculiarities while strengthening the European identity in its ability to process the differences. Furthermore, this method would not question nor reduce the common Community mechanisms of the EU at the final level: neither the EU objectives nor the decision mechanisms. The three Regions may build their own consensus on their own and according to their own rules although they remain exposed to the competition of other sub-regions: they are under constraint to justify their consensus and to debate with other Member States at the EU level, which remains the only legitimate “last-resort” decision making level. Nevertheless, this approach permits to launch a “win-win game”: the debate across different sub-regional consensus should be easier since it reduces differences to the essential and allows for speeding up the awareness of the common interests. It contributes to build up more consensual views and therefore to improve the legitimation of the integration.

In conclusion our approach consists merely to combine two basic principles that ideally can develop to open a new integration road by allowing for a multi-speed Europe inside a strict common EU scheme:

1. Propose the realistic organization of an intermediary level of “subsidiarity” by re-grouping voluntarily the EU Member States into three big sub-regions (Mediterranean, Central-Northern, Eastern). This “Europe of the three Regions” is an alternative for maintaining together the EU, and legitimizing big national economic differences (sub-identities) without impeding the

necessary acceleration of integration and without threatening the cultural and social peculiarities. This intermediary level strengthens the European identity in its ability to process the differences, without eliminating common EU Community mechanisms as a final level. The three Regions would build first their own consensus for presenting them to the EU level for decisions. The EU would remain fully valid for reaching final consensus, and legitimized through the European Parliament the will of national parliaments.

2. Implementation of cooperation by "sovereign coordination" without harmful centralism, driven by the self-interests of national officials themselves; but in permanent dialogue and interaction at the level of each of the three Regions, so that the interdependencies are properly taken into account in the sovereign national decisions in an endogenous way (incentives or penalties on financial markets). To give a concrete application, this should be implemented through the creation by the EU (Commission and European Central Bank) of a new kind of Treasury bonds, stamped as "blue Bonds" and benefitting from a full guarantee of all the Member States once they fully respect the common discipline or the approved adjustment plans (for those Member States in financial stress). These new "blue bonds" would immediately introduced a "spread" in the interest rates paid by common existing national Treasury bonds which would not enjoy a community guarantee. This means national bonds would be rated below blue bonds but with a spread varying according to the quality of their budgetary policies, which compete in front of the rating agencies and the financial markets. This introduces positive or negative market sanctions for national policies, eradicating the need for politically decided sanctions (as in the Treaty and the Stability Pact), and internalizing the effects of each national policy upon the euro-area. Only the constitutionally responsible authorities would be accountable for the rating of the country, eliminating the unpopular aspects of the Treaty and the risks of populism exploitation of the budgetary discipline which is not imposed by supranational power but for the sake of the Member State itself.

Conclusion

There is no urgent need to change the Treaty for facing the present EU crisis and making compatible different national identities with a common identity for going further in the EU integration. Simply, most of the identity opposition between national and community level could be solved by activating the subsidiarity principle in the proposed new approach. This approach consists to allow for sub-regional identities finding out their own economic policy consensus inside the EU decision-making procedures and debating it in competition with the other Member States and other sub-regions. Introducing an EU financial cooperation scheme by creating special national bonds under EU guarantee when objective Treaty conditions are fulfilled would allow for an internalization of competing economic policies through financial market sanctions (bond spreads) monitored by the EU.