

The nature of the crisis in the Eurozone & the process of European integration after the crisis

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It is worthwhile to examine the process of regional financial integration as it developed in Europe, in order to discern the root causes of the difficulty in establishing an efficient financial governance regime. The European experience therefore constitutes an interesting precedent as a laboratory of economic, legal, and political integration transcending national borders.^[1] The establishment of pan-European banks in an environment marked by an absence of regulatory cohesiveness was bound to lead to competitive distortions among financial institutions leading to instability across the market. Theoretically, it is essential for stability of any single financial market to have harmonized set of core rules for all of its member states, however, when it comes to EU institutional design, this is one of the major lacunas.

The proposed policy and legislative framework for reforms at EU-level remain incomplete despite taking into account all the regulatory initiatives that have been launched in EU in the post-crisis period. A critical look at these future measures aimed at breaking the link between the sovereign and the banking institutions may provide a range of lessons from the EU experience. Member States have set up, in the course of the last 60 years, institutions in order for them to learn from accumulated knowledge and expertise, and respond accordingly to new challenges.

This research would like to raise and answer following questions: (a) what is the future of the European economic and political integration in a post-crisis world order which is being defined heavily in Asia, (b) which institutions can support and sustain European crisis and can secure its financial stability and economic growth once again? This paper will identify the sources of crisis at EU by looking at the basic flaws in the process of monetary integration where economic integration and fiscal solidarity were given preference over state sovereignty and national fiscal controls. This trade-off brought setbacks to the European growth and stability. This section will lead to point fundamental flaws in the institutional design of the EU integration structures, particularly the new initiatives that are being carried out as the result of recent crisis. The final section will highlight what is still missing in the reform process and therefore, the EU systemic stability and integration structures even in the aftermath of the recent reforms may continue to prove less than effective.

[1] Wouters, J., & Ramopoulos, T. (2012). The G20 and Global Economic Governance: Lessons from Multilevel European Governance? *Journal of International Economic Law*. doi: 10.1093/jiel/jgs036