



## ‘Europe in Crisis’: Global Order, Integration, Crisis and the Future

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How to contextualize the present European<sup>1</sup> crisis in broader dynamics? More specifically: how to understand the European Union in the global order? What is driving the process of European integration? What are the challenges to the consolidation of the European Union? What is the future of the Union? These are challenging questions that arise in the debate about Europe and its place in the international arena. A few ideas will be drop on this article to make sense of Europe’s place in world affairs and on the context upon which the present crisis should be understood. European integration is being challenged as never before in its history. Europe’s interdependence needs to be reinvigorated in order not only to restore the credibility of the Union but also to place this Union in the world map again as an emerging global power. In short, the goal here is to understand and integrate the present drama in the European Union within a larger narrative about Europe and world politics.

### Europe and global order

Since the end of the late 1970s the global order has been changing. Global order here means any system of governance for international relations. In this sense, its principal dimensions are (a) the ways in which, and the frequency with which, actors resort to organized violence

to try to realize their objectives *vis-à-vis* others, and the relationship between violent and non-violent forms of conflict management; (b) the distribution of power and authority in the system; (c) the degree to which checks and balances exist against overwhelming power, and the forms those checks take; and (d) the levels of legitimacy enjoyed by actors who exercise power.<sup>2</sup>

During the Cold War, the role of the European Community was twofold. First, as America’s junior partner in the Euro-Atlantic alliance, it provided vital economic and military support for the United States in its efforts to contain Soviet power and thus constituted a key part of the Cold War global order. Second, within this context it launched a powerful new method of regional governance, based on (supranational) integration, which turned out to be a great success and over time developed considerable attraction to others, both as a club worth joining and as an alternative model for ordering regional and perhaps even worldwide international relations. This European way of ordering (regional) interstate relations eventually came to be associated with the term ‘civilian power’.<sup>3</sup>

1 The term Europe will be loosely used in this article to designate the European Union.

2 On the idea of global order see T.V. Paul and Johan Hall, *International Order and the Future of World Politics* (Cambridge: Cambridge University Press, 1999).

3 Francois Duchene “The New European Defense Community” (*Foreign Affairs*, Vol. 50, No.1, 1970) Hedley Bull, “Civilian Power Europe: A Contradiction in Terms?” (*Journal of Common Market Studies*, Vol. 21 No. 2, 1982), pp. 149-170. For a broader view see Ian Manners, “Normative Power Europe: A Contradiction in Terms?” (*Journal of Common Market Studies*, Vol. 40, No. 2, 2002), pp. 235-258.



With the Cold War over, Europe's future role in international relations has been thrown into doubt. Will it continue to support American hegemony as its junior partner? Can it become an alternative source of power and attraction in an increasingly multipolar world, and perhaps even eventually challenge America as a 'civilian power'? Or will Europe itself become a superpower?<sup>4</sup> What, in short, will be its role in the new balance of global order?

At the core of this debate – and conditioning the shifting of the three broader scenarios emphasized above – is the old debate over whether Europe can become a 'civilian power' or not. Europe has been remarkably successful with its alternative mode of interstate governance: not only it has succeeded in abolishing war within Europe; it has created a way of life marked by individual freedom, prosperity and civility for its people; and has even begun to project stability, liberal democracy and prosperity beyond its own realm. However, weaknesses characterize the bid to prominence as well. They are: Europe's post-modern portfolio of power capabilities; its limited capacity to act in an effective manner; and its lack of a real strategy, indeed its constitutional inability to have one. In other words, while it is thus evident that Europe has become a force in international relations which shapes its environment and the behavior of other parts of the system, this influence is conditioned and circumscribed by its highly specific political subject and its equally specific *modus operandi*.

If it is questionable that Europe's place in the world is still one of being a junior partner of the United States; it is also unlikely that Europe will acquire capacities to become a major superpower in the near future. The debate is, however, still ongoing.

#### Europe and integration: The European orchestra

Timothy Garton Ash described some years ago the European Union as an orchestra.<sup>5</sup> This orchestra was seen like a work

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in progress, something that was *in the process of becoming*. It was not quite there yet, but it was something quite unique in world affairs. This uniqueness certainly deserves compliment even by those who often criticize Europe's transformation. What is the European Union? How to understand this entity's integration process in a way that makes sense?<sup>6</sup>

*Ethnicity and identity.* The process of integration has been a possible revolution of Western Europe's security dilemma – through an American-led alliance, within which a security community among European alliance members had evolved, and through an emerging consensus that the Soviet Union was a superpower in decline rather than an active threat – removed one of the most fundamental concerns of sovereign states from the regional agenda. Resolution of Europe's underlying security dilemma – the containment of German hegemony – had from the outset been the foundation for West European integration, and continued to motivate initiatives for further formal integration in the 1970s and 1980s.

*Interdependence.* Western Europe's geographical and population density made for particular intensive experience of the shrinking of distance and the declining relevance of state borders to economic and social integration. The willingness to move beyond war embedded in a collective desire for the creation of wealth and prosperity; the fact that our modern society is becoming much more verbal, information-oriented, and symbol-oriented; the vast increase in destructive potential, created by modern technology and modern weapons systems and the interdependence of mutual destruction; all these factors contributed in a significant way for the process of integration.

*Political Europe.* Finally, there has been much discussion on the so-called cultural dimension of the European Union. It is argued that Europe's cultural identity is lagging behind its political and economic ones. In the late 1980s and early 1990s debates shifted from more pragmatic and technical issues to the more abstract issue of 'building Eu-

4 See Andrew Moravcsik, "Striking a New Transatlantic Bargain," (*Foreign Policy*, Vol. 82, No. 4, 2003), pp. 74-89; Michael Smith, "Between Two Worlds? The European Union, the United States, and World Order" (*International Politics*, Vol. 41 No. 1, 2004), pp. 95-117.

5 Timothy Garton Ash, "The European Orchestra" (*The New York Review of Books*, 17 May 2001).

6 See Karl W. Deutsch et al., *Political Community and the North Atlantic Area* (Princeton: Princeton University Press, 1957); Ernst Haas, *The Uniting of Europe: Political, Social and Economic Forces, 1950-1957* (Stanford: Stanford University Press, 1958); Andrew Moravcsik, *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht* (Ithaca: Cornell University Press, 1998).



rope' and thereby to the question of what Europe is, can and should be. A 'soft' human side should therefore be added to the 'hard' economic, political and military side of the European Union. Institutions and institutional process therefore became a prominent study of Europe. Questions of democracy and the 'democratic deficit' emerged as a main source of criticism and debate.

Theoretical disputes emerge, however, on how to understand this process.<sup>7</sup> Some would claim that the process that has driven European cooperation over the last 20 years has been a new transnational ethos. Others argue that it has it been due to the prosecution of discrete national interests masquerading as unity. Others, finally, argue that the difficulty in understanding the process of European cooperation is that it does not fit into the scheme of national interest politics, nor is it a functional coalescence at the elite level. Driving the coalescence of European elites is the collapse of the internal national dynamic that makes the different national actors into sovereign states.

### Interdependence and its convulsions: The European debt crisis and its solution

Europe faces increasing challenges to its continuity as an extraordinary invention in the international sphere. It is not just the problem of the 'democratic deficit' that so pro-eminently constrains its achievements as an institution that represents those that it intends to govern, there are also problems associated with the lack of a military arm and the expression of a truly convincing deployment of capacities abroad, there are, furthermore, problems associated with questions of ethnicity and identity; and most recently, a huge constraint has been placed on its functioning by the workings of the international economy and the problems that emerged in this realm.

This crisis had an origin that was independent of the European Union itself. The United States financial crisis of 2008-2009 exposed the unsustainable fiscal policies of

countries in Europe and around the globe. This exposed Europe and its economic markets to problems of growth and competitiveness on the one hand, and huge public deficits on the other.

Greece was one of the first to feel the consequences of decades of weak growth. When growth slows, so do tax revenues – making high budget deficits unsustainable. Greece's debts were large enough to exceed the size of the nation's entire economy. Investors responded by demanding higher yields on

Greece's bonds, which raised the cost of the country's debt burden and necessitated a series of bailouts by the European Union and European Central Bank (ECB). The markets also began driving up bond yields in the other heavily indebted countries in the region, anticipating problems similar to what occurred in Greece.

This process then spilled over first to Ireland and then to Portugal. For different reasons yet drawing on the same kind of variables, these countries were affected by their own internal problems and incapacity to adjust easily to the conditions being imposed by the forces of the 'new international economy'.<sup>8</sup>

The European Union has taken action, but it has moved slowly. The constraints imposed by a Union still constituted by sovereign states with their own particular interests leads often to problems of coordination. The primary course of action thus far has been a series of bailouts for Europe's troubled economies. The first occurred in the spring of 2010, when the European Union and the International Monetary Fund disbursed US\$163 billion to Greece. Ireland and Portugal also received bailouts, in November 2010 and May 2011, respectively. The Eurozone member states also created the European Financial Stability Facility (EFSF) to provide emergency lending to countries in financial difficulty.

The strategy adopted by the European institutions and governments to deal with the crises have clearly been one of placing intergovernmentalism ahead of supranationalism therefore. Although the actions by European policy makers usually helped stabilize the financial markets in the short term, they were widely criticized as merely postponing a true solution to a later date. Intergovernmentalism still reigns as the main driving theoretical force behind the European project.

7 See Ben Rosamond, *Theories of European Integration* (Basingstoke: Macmillan, 2000); Antje Wiener and Thomas Diez (eds.), *European Integration Theory* (New York: Oxford University Press, 2004).

8 Luciano Amaral, *A Economia Portuguesa: As Últimas Décadas*, (Lisboa: Fundação Francisco Manuel dos Santos, 2010); Álvaro Santos Pereira, *Portugal na Hora da Verdade: Como Vencer a Crise Nacional* (Lisboa: Gradiva, 2011). For a recent overview of the policies being adopted see Vítor Gaspar, "Portugal's Response to the Euro Area Crisis: Fiscal Consolidation and Structural Reform" (*Chatham House*, 7 December 2011); Carlos Moedas, "Portugal is beating the headwings" (*The Wall Street Journal*, 26 January 2012).



The ECB also has become involved, although it is resisting the option of printing money to buy up the region's distressed debt. The ECB announced a plan, in August 2011, to purchase government bonds if necessary in order to keep yields from spiraling to a level that countries such as Italy and Spain could no longer afford. In December 2011, the ECB made US\$639 billion in credit available to the region's troubled banks. Numerous financial institutions had debt coming due in 2012, causing them to hold on to their reserves rather than extend loans. Slower loan growth, in turn, could weigh on economic growth and make the crisis worse. While the ECB's action did not alleviate the core of Europe's problem – high government debt – investors cheered a move designed to prop up the region's economy.<sup>9</sup>

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The question becomes whether the solutions found have been enough. Both in the policy world<sup>10</sup> and in the academic world,<sup>11</sup> the recipe for austerity seems not been having the results desired. As it seems clear by an assessment of the current crisis, Europe's future is being discussed at the moment. Europe is living an existential crisis promoted by the breakdown of trust in the bounds that led to increasing interdependence. A larger issue looms in the horizon: while smaller countries such as Greece are small enough to be rescued by the ECB, Italy and Spain are too large to be saved. It is in these countries that the immediate future of the European Union is being played.

The West is, nowadays, confronted by a new world where new powers seem to be emerging. By West here is meant the institutional structure that has been reinforced since the end of the II World War. For some, this institutional structure does not exist at all or is very thin. This thinness is due to the fact that states in world politics are essentially concerned with power and material capabilities, nationalism and the next balance of power.

### Europe, the West and the future of world politics

The European crisis is essentially economic. This is not to say that political issues, identitarian issues or institutional issues are not constraining the emergence of a truly European *polity* in the world stage, but the future of the Union is being played as never before in the economic front. At the same time, the economy is the essential variable that can drive Europe to continue to have the

leadership role it still possesses in world politics.

Restoring Europe's structure of interdependence has, in this second sense, a much broader purpose. Europe – as part of the 'West' – is confronting a new world where challenges to its leadership are emerging.

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politics are essentially concerned with power and material capabilities, nationalism and the next balance of power. Realists of different sorts predicted the end of the Western alliance with the end of the Cold War with the re-emergence of these above mentioned reemerging realities. With the Soviet Union gone, the West would no longer exist driven by nationalism and bandwagoning effects.<sup>12</sup> This view clearly is not being confirmed. The ties that bind the West need to be found somewhere else. A second view, aspiring and proclaiming the *end of history*, grounded the glue in ideas of a democratic peace. Democratic and constitutional governments create among them the conditions fertile for the existence of peace.<sup>13</sup> Yet one wonders if there isn't more to this story. An alternative narrative that moves beyond realism and traditional liberal assumptions. This view is clearly represented in some of the contemporary writings on the

9 See "Greece in Crisis" (*The Guardian*).

10 See "Angela Merkel casts doubt on saving Greece from financial meltdown" (*The Guardian*, 25 January 2012).

11 See a good summary of the debate made by Joseph Stiglitz, "What Can Save the Euro?" (*Project Syndicate*, 5 December 2011).

12 John Mearsheimer "Back to the Future: Instability in Europe after the Cold War" (*International Security*, Vol. 15, No. 1, 1990), pp. 5-56; Connor Cruise O'Brien, "The Future of the West" (*The National Interest*, No. 30, Winter 1992-93), pp. 3-10.

13 Michael Doyle, "Kant, Liberal Legacies and Foreign Affairs" (*Philosophy and Public Affairs*, Vol. 12, No. 3, 1983), pp.7-39; Francis Fukuyama, *The End of History and the Last Man* (New York: Free Press, 1992).



ties that bind the West.<sup>14</sup> This literature aims to dig into issues of the role played by the forces of the market, the power of a civic identity and the nature of the public institutions that characterize Western countries.

With the Realist criticism apparently on the backside at the moment, Europe and the United States, despite the differences of the past, are growing together therefore.<sup>15</sup> At the centre of this leadership is the capacity to renew their economic growth. A number of other elements are important to maintain a credible leadership of the Western model in the world. Certainly it was not just the economy that made the West impose itself upon the ‘Rest’.<sup>16</sup> But, in the end, ‘It’s the economy, stupid’. The economy will guarantee the continuation of the desired hegemony of the Western model in the world.<sup>17</sup> As President Barack Obama concluded in a recent speech about the future of the West: “This doesn’t mean we can afford to stand still. The *nature of our leadership will need to change with the times*. (...) In this century, our joint leadership will require building new partnerships, adapting to new circumstances, and

remaking ourselves to meet the demands of a new era. *That begins with our economic leadership*. Adam Smith’s central insight remains true today: there is no greater generator of wealth and innovation than a system of free enterprise that unleashes the full potential of individual men and women. (...) [W]e live in a global economy that is largely of our own making. And today, the competition for the best jobs and industries favors countries that are freethinking and forward-looking; countries with the most creative, innovative, entrepreneurial citizens. That gives nations ... inherent advantage”.<sup>18</sup>

This last idea just goes to show how Europe needs to move beyond its internal crisis not only, as it was stressed before, to guarantee the consolidation of the integration process, but also to guarantee the continuation of the leadership role it plays – as part of the West – in world politics.

14 Daniel Deudney and G. John Ikenberry, “The Logic of the West” (*World Policy Journal*, Vol. 10, No. 4, 1992-1993), pp. 17-26; Thomas Risse *Cooperation among Democracies: The European Influence on US Policy* (Princeton University Press, 1997).

15 See the exchange between Michael Cox, “Beyond the West: Terrors in Transatlantida” (*European Journal of International Relations*, Vol. 11, No. 2, 2005), pp. 203-234; and Vincent Pouliot, “The Alive and Well Transatlantic Community: A Theoretical Reply to Cox” (*European Journal of International Relations*, Vol. 12, No. 1, 2006), pp. 119-127.

16 Niall Ferguson, *Civilization: The West and the Rest* (Penguin Press, 2011).

17 Michael Mann, *The Sources of Social Power: Volume 1, A History From the Beginning to AD 1760* (Cambridge: Cambridge University Press, 1986).

18 “Obama’s speech to UK Parliament, in full, with analysis” (*BBC News*, 25 May 2011 [emphasis added]).

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