

# The EU's Multifaceted Crisis: April 2019

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A little over a decade ago, the European Union seemed to be a haven of peace and prosperity. Its challenges were constructive: how best to manage enlargement? How to implement the at long last validated Lisbon Treaty? How to reconcile with an America whose new President, Barack Obama, had charmed all of Europe? Then, suddenly, Europe found itself facing two violent shocks from abroad: in 2008, the subprime mortgage crisis unfurled from the United States across a swathe of European banks; at the same time, Vladimir Putin's Russia started an actual war with Georgia. Two independent, but simultaneous disasters: the first raised questions about the future of growth; the second, about the strength of peace in Europe.

In 2008, these questions regarding Europe's dual vulnerability were all the more destabilizing because the Union had just finished adapting to other recent shocks: enlargement following the demise of the USSR in 1991, the trans-Atlantic crisis of 2003 during the war in Iraq, and the renegotiation of the European institutions. Long before the economic crisis, Europeans had already been weakened by a three-fold crisis: an identity crisis (who is European? where should the EU's borders stop?); an institutional crisis (how to operate with 25 and more countries?), and a strategic crisis (what about Europe's autonomy in terms of security?). Ten years later, the European Union remains mired in these multiple crises of operation, growth, identity and, especially, meaning and purpose: what purpose does the Union serve in the 21st century? What does it mean to continue the adventure? European citizens are still

waiting for answers. Even more troubling, a large portion of public opinion has moved beyond classic Euroscepticism to genuine Europhobia. Brexit is now threatening the Union with indefinite rot. In other words, Europe has rediscovered the tragedy of history and is still developing more or less effective or definitive crisis exit strategies.

Is globalization to blame, as one of its victims is European integration? Or is the Union's poor internal governance at fault? Neither of these explanations is satisfactory on its own. In reality, Europe is the victim of external crises, crises that it suffers without having caused; however, their impact is all the stronger because this turbulence from abroad is exacerbated by the very inadequacies of European integration.

## External Crises Profoundly Destabilize the European Union

The economic crisis, whose ups and downs continue to this day, was not originally a European crisis. It was an American crisis, caused by the madness of the American banking system and the greed of some bankers. Very quickly, it spread to Europe. European banks (in Ireland) holding "toxic" American securities were destabilized and European stocks plummeted alongside their American counterparts. Several European countries ignored their public deficits, accumulating huge levels of sovereign debt. The Central Bank, the European Commission and Germany demanded strict structural measures and greater restraint in public spending. The middle classes of many countries suffered and paid the price. Ten years later, Europe is still coping with the shock waves of that crisis from abroad.

This economic crisis exacerbated the structural effects of globalization. For three decades, this had

been excellent news for the vast majority of poor countries, which were finally entering the market. But it was a double-edged sword for developed countries, particularly, Europe and the United States. Globalization does indeed enrich rich countries overall, but it considerably increases the wealth differentials in these countries. Inequality soared. The middle classes, once the bedrock of democracy, discovered the risk of impoverishment and lost their traditional support for democratic liberalism. Frustration grew. Donald Trump was elected in the United States and populist and authoritarian movements advanced in Europe. European integration became the scapegoat for the misfortunes of the middle class.

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The second crisis to come from abroad concerns Europe's security. Putin's Russia decided to cast doubt on the European political order built at the end of the Cold War: first, in Georgia, in 2008, and then in Ukraine. The Russian army's annexation of Crimea in March 2014 and the more or less clandestine policy of destabilization of the eastern part of Ukraine by the Russian forces were a first in the European order since the end of the Cold War. Additionally, since 2015, Islamist terrorism has emerged as a major threat. In 2015, the European Counter-Terrorism Coordinator spoke of more than 3,000 young Europeans, men and women, who had been seduced by Daesh and were likely to leave for Syria. Four years later, in 2019, the defeat of the Islamic State and the loss of all its territories have not eliminated the risk of a resurgence of terrorist chaos against Europeans. Similarly, in 2015, the European Union was overwhelmed by hundreds of thousands of refugees, from Syria, Eritrea, Afghanistan and many other war

zones. These refugee flows, which were exceptionally high for two years, have declined considerably, but the perception remains of a security risk exclusive to a Europe whose borders have never been subject to collective protection.<sup>1</sup>

More surprising, and perhaps more serious, within this series of external crises affecting Europe was the reversal of Europe's American ally. In the name of "America first," Trump has systematically questioned the very foundations of American power for the last century: economic liberalism on the one hand, political-military alliances on the other, all in the service of a universal democratic ideal. For the last three years, Europeans have had to cope with an American policy that is unpredictable, unilateral, dangerous and sometimes outright aggressive towards allies. Witness the threats of sanctions against European companies that do business with Iran, the blackmail of customs duties on European exports to the US, or the withdrawal from the INF Treaty on which part of Europe's nuclear security is based. In a few short months, America became a destabilizing force. How not to worry? How not to see in this American drift the greatest shake-up of the West since the end of World War II? Especially since, at the same time, the United Kingdom, the steadfast pillar of American power in Europe, has decided to leave the Union.

### Europe Is Also a Victim of Its Own Internal Dysfunction

These recent developments in the international context are not conducive to greater European integration: they weaken, divide, increase heterogeneity within the Union, and fuel a sense of permanent vulnerability, highlighting the inadequacy, if not powerlessness, of traditional European institutions and policies. The European system's internal failures add to the sense of crisis and widespread malaise in the Union.

— *The betrayal of the principle of solidarity is a strong sign of European disintegration. Even as*

<sup>1</sup> Some will argue that these crises are not entirely external to Europe. At the economic level, neither the Greek nor the Spanish crisis was due to the American subprime mortgage crisis. At the same time, at the strategic level, it was the French and British who, in 2011, decided to intervene in Libya. All of this is true. However, the fact remains that the decade from 2008 to 2018 was, for Europeans, a decade of political and economic weakening due to shocks coming primarily from outside Europe.

economic solidarity worked, for better or worse, in 2010 to help solve the Greek economic crisis, political solidarity was failing in the refugee crisis: Europeans ultimately rejected the Commission's proposals to equitably distribute refugees amongst Member States, national borders were re-established in the Schengen area, some states built walls, others, such as Poland and Hungary, categorically rejected the very principle of reception on their territory.

- *Democratic weakness* has been another serious failure of Europe in the 2000s. The European Union is constantly lowering the level of its internal democratic guard. In 1999, as a result of the participation of Jörg Haider's FPO in the Schüssel government, Austria was suspended from certain European formations in the name of the far right's incompatibility with European values and treaties. Twenty years later, governments openly advocate a certain xenophobia, nationalisms proliferate, and the far right is in power or has partnered with those in power in Austria, Italy, Hungary and Poland in a context of almost general impotence or indifference. Even violations of the rule of law in Poland or Hungary have led only to verbal remonstrances. Yet the defence of democracy and human rights against all types of authoritarianism is the very foundation of European integration.
- *Neglect of the social dimension* is one of the Union's most serious shortcomings. From the outset, the objective of all Community policies was the creation, improvement and, ultimately, achievement of the market, first common, then single. An entire arsenal of decisions, directives and regulations has been negotiated and adopted to maximize economic convergence amongst Member States and ensure the optimal functioning of the markets. In contrast, the mission of social redistribution of the wealth produced has been left to the states alone. This founding division of labour (the Commission manages the market, the national governments handle the social aspects) worked perfectly when there was growth. For a decade, however, this engine has failed: growth is negligible, public finance is scarce. Populist and sovereigntist movements draw much of their popularity from this social degradation and growing inequality, accusing

Europe of serving only the rich to the detriment of the losers of globalization.

- *At the external level, the primacy of nations* and the EU's political non-existence are a major vulnerability. The initial basic contract of Europe, that of an unrelenting compromise between national sovereignties and the European general interest, seems to have been lost over time in favour of national assertions alone. Every European policy today thus reflects the smallest common interest of the 27 Member States. Nations may be becoming less and less effective at tackling the global challenges of globalization, but they increasingly present themselves as the only appropriate and legitimate level for decision-making, even as their relative weight in the hierarchy of global powers declines. The result of this obsession with national sovereignty is immediate: Europe's political and physical non-existence in the major international debates has become caricatured. The Union's foreign policy is non-existent, notwithstanding the numerous joint statements and official communiqués. In the bodies that run the world, whether at the IMF, the World Bank, or the G20, the EU as such does not exist, whilst about ten small European states are represented. In this global concert of nations, the Union is a committed spectator, but not a decision-maker.

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- *The rejection of power* is another historical aspect of European integration. During the Cold War, the delegation to the US of all strategic responsibility, in Europe and the world, was justified by the enormity of the Soviet communist threat. Loyal to NATO, the Europeans have thus unlearned, for more than 60 years, how to deal with

power relations, assume diplomatic and military responsibilities and take charge of their own security. A quarter of a century after the end of the Cold War, with the disappearance of the collective threat and the growing uncertainty of the American ally's loyalty, does this culture of strategic dependence on the US still make sense?

- Europe also suffers from a *staggering communication deficit*. Across the political spectrum, Europe's political leaders have adopted two disastrous habits. The first is the exploitation of Europe in national strategies, to the point where European deadlines are used as opportunities to settle scores between local majority and opposition forces. Second, there is a tendency amongst national leaders to blame all ills on Europe, whilst at the same time taking credit for all successes, including those indebted to European action. In terms of political communication, the assimilation of "bad" with Brussels and "good" with the nation is one of the few cultures that the 27 Member States share and a uniformly devastating practice.

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- Last but not least, *Brexit*. At the time of writing, Brexit remains a delirious issue for the EU. It is the first time that a Member State has decided to leave. It is also the first time that Europe risks not only its wealth, its image, its credibility, but also, and especially, its meaning and common sense. British procrastination and the sacrosanct legalism of the European institutions are leading the EU to proceed without rhyme or reason, offering voters a grotesque prospect: vote for a parliament that will include members from Britain, which has just voted to exit the EU, which will leave in six months, but which, in the meantime, will have all the rights of a Member State,

including the right to block a future for Europe in which it will not participate regardless! How to be excited about the Union in the face of such institutional delirium and such political cowardice on the part of the European heads of state? Whatever the outcome of this madness, the EU will largely have lost its political credibility.

### Multiple Debates and Three Scenarios

On the eve of a new term of office, it is clear that Europe cannot continue as if nothing had happened. But whilst this is obvious, it is also the most difficult thing to do. Seventy years of success, habits, institutional networking and, especially, economic and monetary integration make a Copernican revolution in European integration highly unlikely. However, several major issues are still up for debate by Europe's leaders, who will determine the future scenarios for the EU.

The first major debate has to do with the conditions for growth. What economic policy will be best able to ensure it in this new term of office? The pursuit of austerity, structural reforms, and fiscal discipline at the cost of growing social dissatisfaction? Or, on the contrary, should we focus on reinvigorating consumption, with investments in large traditional or future projects? The second debate concerns the Union's priorities. Should it maintain the objective of deepening the single market and seeking an optimal market? Should we now add another, more social objective, one that combines the rules of economic liberalism with the need for social redistribution? Then there is the debate between the Union's economic and political priorities: should Europe be a large, ever-expanding market to increase the common area of prosperity? Or should we also invest in the political arena, building a political Europe capable of defending its interests in the world and of participating in the future negotiations that will determine how globalization is governed? The fourth issue concerns the European method, and it is also decisive: should the gradual integration of policies (banking union, fiscal Europe, social Europe, foreign policy, common defence policy, etc.) continue or has the time come to renationalize EU policies (end of Schengen, exit from the euro, greater control by the European Council as compared to the Commission)? With regard to the pace of Eu-

European integration, should we wait for everyone to agree on everything to implement a new policy, or should we increase the flexibility, the hard cores, the different speeds of participation? The sixth debate has to do with Europe's security: should we maintain absolute dependence on NATO and rely on America to defend the EU's interests in the world or should we, at the same time, build or reinforce the means for a real strategic autonomy for the EU?

Depending on how the Member States respond to these major debates, the European Union could take on very different faces. Amongst the many possible scenarios, three seem decisive.

The first is continuity. Nothing changes. The European Union reforms its policies and principles in the margins, but continues to operate with the model defined six decades ago: the market is the objective, the Commission looks after the treaties, respect for the Maastricht criteria remains the basis for growth, enlargement to the Balkans continues, NATO remains the guarantor of Europe's defence, the states decide the rest. This Europe of continuity is the most likely, as it reflects the natural tendencies of European and national leaders, but it is also the most fragile and the riskiest: indeed, it is this Europe that a good share of opinion no longer wants. It is this Europe that is finding it increasingly difficult, with globalization, to demonstrate its economic, political, social and strategic effectiveness each day.

The second more extreme scenario is disintegration and rupture. The European Union unravels, comes undone, disappears in the long run: either because other countries, after the United Kingdom, decide to leave the Union; because a majority of countries, led by populist and sovereigntist governments, decide to renationalize most of the common policies; or be-

cause the Union is overwhelmed by chaos following and because of Britain's madness or malice, all of which could occur in a relatively short time. This scenario is not the most likely, but its likeliness of coming to pass is growing.

The third scenario is the most virtuous: it involves continuing to build Europe, but on the basis of deep and numerous reforms. To this end, the creation of a social line in the European budget would make it possible to mitigate the negative effects of globalization by allowing the affected middle classes to bounce back through vocational training and outflow from unemployment. Likewise, the conditions for European strategic sovereignty must be urgently created: who can say with certainty that NATO and American protection will continue to exist in 2030? With regard to the European institutions, it is high time to give them a more political culture, a more political objective, rather than their current legal-technocratic culture, which is no longer enough.

The economic, strategic and political conditions that have allowed Europe to grow and develop for sixty years are over. The Cold War has ended. Europe has expanded considerably into the former communist bloc, economic globalization has disrupted the conditions for global growth, the West has lost its monopoly on power, etc. With regard to the trans-Atlantic relations that have underpinned the defence and security partnership between the US and Europe since 1949, it is an understatement to say that they have been plunged into a state of profound disarray with Trump's rise to power. In other words, if it is to survive and again become convincing, Europe must respond to the economic, social, strategic and political realities of this first part of the 21st century, not the realities of the 1950s.<sup>2</sup>

<sup>2</sup> For a detailed analysis, see: GNESOTTO, Nicole. *L'Europe indispensable*. CNRS éditions, 2019.