

# Europe's Existential Crisis

After more than 50 years of effort to create a united Europe, the European Union has reached a critical moment. Even as more than a dozen nations clamor for membership, many citizens in the 15 current member-states are growing skeptical of the leaders who have championed the European dream.

*by Martin Walker*

**L**ast May, Secretary of State Madeleine Albright handed German foreign minister Joschka Fischer a most confusing diagram. Beneath an array of apparently random scribbles, it depicted a map of Europe that appeared to have been defaced by an unusually energetic infant who had been allowed to run wild with a box of crayons.

After some effort, the eye could discern a number of sharply dissimilar circles drawn upon the map in different hues. There was one circle in blue for the 15 members of the European Union (EU), and another in red for the 19 members of the North Atlantic Treaty Organization (NATO), and another in green for the seven countries jostling to join NATO in its next round of enlargement. The 11 countries that have adopted the new single currency, the euro, were marked in brown. There was another circle, in yellow, for the six countries of central and eastern Europe that are deemed to be on the fast track for early membership in the EU, and another in orange for the six thought to be on a rather slower course toward entry. There was yet another, in a kind of violet, which marked the 12 EU countries that had signed on to the Schengen Accord.





Europa: Vision 3000 (1987), by Curt Stenvert

Named after a quaint Luxembourg village where one can stand on the bank of a stream and toss pebbles into either France or Germany, the accord eliminates internal border controls. Having entered any one of the 12 states, a visitor can pass without a passport into the rest.

There were even three circles disappearing far off the map in the direc-

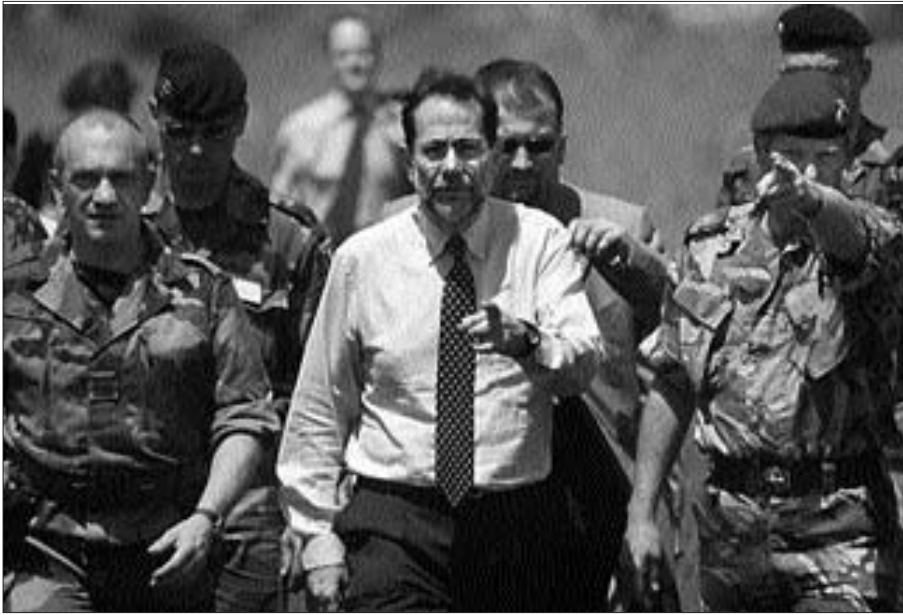
tion of Siberia and the Chinese border. One was for those 43 countries (including Russia) that make up the Council of Europe, the body that runs the European Court of Human Rights. A second was the Organization for Security and Cooperation in Europe, which includes the former Soviet republics among its 55 members. The third was for those 27 countries, including former Soviet states such as Kyrgyzstan and Kazakhstan, linked to NATO through the Partnership for Peace.

“The map showed circles intersecting with circles that intersected with still more circles in a rather bamboozling way,” commented Andreas Michelis, a German diplomatic spokesman. “The American question was, where do we turn among all these elements?” The European question—which confronts the 15 nations of the EU with increasing urgency as 13 countries (Malta having since joined the 12 on the Americans’ map) hammer on the door for entry—is, where does Europe stop?

**T**he Europe of the new millennium was supposed to be a fairly simple place. In the happy rhetoric of President George Bush during the Cold War’s endgame, the old continent would at last, after the 20th century’s wars and revolutions and genocides and gulags, be “whole and free.” Whole, that is, after the geographical divide of the Iron Curtain, and free after the collapse of communism. But this begs a larger question. Is “wholeness” fulfilled by the boundaries of Renaissance Europe, which exclude Russia and half the Balkans? Or is Reformation Europe to be the measure, to include the Roman Catholic and Protestant lands but leave out Orthodox Russia and Serbia? Christian Europe might include Russia but exclude Turkey, Albania, and Bosnia. Europeans have grappled with this conundrum since Charles de Gaulle offered his vision of “Europe from the Atlantic to the Urals.” That satisfied few. Europeans shrank from the prospect of including half of Russia. But Russians, even today, hate the concept because it *leaves out* half of their country. Americans have tended to take an expansive view, from former secretary of state James Baker’s grandiose conception of a new transatlantic community “from Vancouver to Vladivostok,” to President Bill Clinton’s latest call for both NATO and the EU to clear the path for eventual Russian and Ukrainian membership.

For Americans, instinctively thinking of their own history in creating a unified federal state, a Europe whole and free was the best and perhaps the only guarantee against the old continent’s reversion to its warlike past. In the 20th century, Europe spawned two world wars, became the focal point of the Cold War, and then produced the wars of the Yugoslavian succession in the Balkans. Each of these confrontations provoked the eventual deployment of American troops. As a result, the consistent U.S. policy of supporting Europe’s integration was not only a rational response; it contained a healthy dose of self-preservation. It was rooted in the hope that an integrated Europe

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*Mission impossible? Javier Solana's (center) job is to forge a common foreign and security policy.*

could be America's partner in stabilizing the world and steering it through trade and investment into a wider prosperity. But Europe's progress toward becoming "whole and free" has been disappointing. In the first decade after the Soviet collapse, NATO took in Poland, Hungary, and the Czech Republic, three new members from the far side of the old Iron Curtain. The EU has yet to admit one. Even allowing for the time required to clear the rubble after the fall of the Soviet and Yugoslavian empires, Europe has been moving slowly.

Perhaps the cruelest feature of the jibe embodied in the American map was that Washington was still asking the same question Henry Kissinger had posed back in 1973: "When I want to speak to Europe, whom do I call?" Europe was supposed to have answered that famous inquiry a year ago, with the appointment of Spain's Javier Solana as High Representative for the Common Foreign and Security Policy. His task was to coordinate the diplomacy of the EU's 15 nations into one broad and common strategy and to establish an EU force that could handle peacekeeping tasks. He was also supposed to provide a kind of one-stop shopping trip for Americans (and others) seeking to know what Europe thought about a foreign-policy issue and what it might do about it. In reality, diplomacy is still conducted essentially at the bilateral level, with the national governments of France, Britain, Germany, and so on, and through NATO, of which the four traditionally neutral EU nations (Ireland, Austria, Finland, and Sweden) are not members. This complicates matters. Solana also has to spend much of his time watching his back against efforts by the EU Commission in Brussels to trespass on his turf. The Commission, which in some ways is the EU's executive branch and runs its own departments of external relations, thinks he ought to work for it. But Solana was appointed by the European Council, which is composed of the 15 heads of national governments. Solana and his job now

constitute the terrain on which an inter-Union power struggle between Commission and Council is being waged.

From an American point of view and putting to one side simmering trade quarrels over bananas and beef and genetically modified foods, the Europeans are not much of a partner. They spend far less on defense, and get even less deployable military force for what they do spend. The Kosovo bombing campaign was largely waged by U.S. warplanes, which flew two-thirds of all strike missions. Lacking reconnaissance satellites, drones, and electronic warfare aircraft, and short of smart bombs, the Europeans were hardly fit to be on the same battlefield. As the Pentagon's "After-Action Review" warned: "Such disparities in capabilities will seriously affect our

ability to operate as an effective alliance over the long term." The Europeans have been less than helpful to U.S. interests in the Middle East and have sought to outflank the sanctions against Iran and Iraq. And Europe shares blame with the United States for the sad failure of Western aid, credits, and know-how to help bring Russia to stable democratic prosperity. The West's collective failure to do for its adversary in the Cold War

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what the United States alone achieved for Western Europe, Germany, and Japan after World War II is the greatest disappointment of the past decade.

Russia's self-inflicted wounds may have been so deep as to render foreign help irrelevant. But there were two important tasks American administrations believed that Europe could—and hoped that it would—achieve in the 1990s: ending the Balkan wars and shepherding eastern Europeans to prosperity. Both jobs were botched. U.S. troops had to intervene again in Bosnia in 1995 and in Kosovo in 1999, just as their fathers and grandfathers had intervened in Europe's earlier tribal wars in 1917 and 1941. And it appears that yet another U.S. presidential election has come and gone without the EU finally starting to take in the most qualified of the 13 candidate nations.

The Europeans themselves defined enlargement, the vogue term for bringing in new members to fulfill the idea of one Europe whole and free, as one of their two grand strategic objectives when they signed the Maastricht Treaty in 1991. In June 1993, at their summit in Copenhagen, EU heads of government formally agreed that membership would be open to all eastern European states that met the economic and democratic standards. In 1997

## *The EU: A Guide for the Perplexed*

Americans find the European Union (EU) baffling, but then, so do most Europeans, not least because Europe, as a way of ensuring that consensus reigns, does a number of things twice.

**The Courts.** There are, for example, two European courts. The first is the European Court of Human Rights, and it has nothing to do with the EU. It's run by the Council of Europe, which comprises 43 nations (including Russia). The second court, the European Court of Justice, is part of the EU, but, being limited to enforcing and interpreting treaties, it is far weaker than the U.S. Supreme Court. Nonetheless, the Court of Justice has broad powers over trade, competition, and employment law, and its reach is continually widening.

**The Parliaments.** Twins again. One is the European Parliament, which usually sits in Strasbourg, France, though its main offices are in Brussels. Its 625 members are elected every five years, and their numbers roughly reflect the population size of their respective nations—there are, for example, 98 members from Germany but only six from Luxembourg. This parliament can neither initiate nor enact legislation on its own. But its powers are growing steadily, thanks in part to the use of U.S. Congress-style hearings on key appointments, such as those to the board of the new European Central Bank. The European Parliament also has the crucial power to approve or disapprove the EU's budgets.

The second parliament, the Council of Ministers, has the real power to decide the most serious matters. Each of the 15 national governments holds a seat. Four times a year, the 15 heads of government represent their nations at the Council of Ministers, which is then called the European Council.

**The Executive Bodies.** There is no single elected executive authority in the EU comparable to America's president. Rather, the European Commission, made up of 20 commissioners nominated by the national governments, supervises the EU bureaucracy and administers such areas as the Common Agricultural Policy, the humanitarian aid program (by far the world's biggest), the aid programs to Russia and eastern Europe, and trade policy. But the Commission, which has traditionally been the custodian of the European federal ideal, was discredited in 1999, when all 20 commissioners were forced to resign amid charges of corruption, and its strategic function has been largely usurped by the Council of Ministers.

In the Council's regular sessions, all 15 national ministers of health, or labor, or finance gather to set common policies. The Council also keeps firm hold of the new common foreign and security policy. In all Council affairs, the individual governments and their representatives jealously guard their national prerogatives, which are all the stronger because of the linguistic variety that makes Europe so different from the United States. Almost as important as the Council's meetings are the weekly meetings in Brussels of the subsidiary COREPER, the Committee of Permanent Representatives—the 15 national ambassadors who act as Europe's executive management.

**The Central Banks.** There are, of course, two sets of central banks. Each nation retains its own central bank, and the Frankfurt-based European Central Bank, established in 1998, manages the new single currency (the euro). As with so much else in the new Europe, this arrangement is not without complication: Only 11 of the 15 EU nations have thus far embraced the euro.

—Martin Walker

# A Euro Cartoon Gallery



A Frenchman's request to pay for oil in euros provokes hilarity (left). A Spaniard being led toward the promised land of greater European integration in a 1991 cartoon (middle left) doubt that its promises will be fulfilled. Former German chancellor Helmut Kohl morphs into a euro symbol (bottom).



How they developed the euro symbol...





Chancellor announces practical steps towards Euro

Credits: Opposite page, top, Jean Plantu, from *L'Express*, Sept. 14, 2000, middle, Idigoras Y Pachi/*El Mundo*, bottom, Copyright Peter Brookes/*The Times*, Dec. 13, 1996. This page, top, Dave Brown/*The Independent*, middle, Clive Goddard, from [www.Cartoon-Stock.com](http://www.Cartoon-Stock.com), bottom, Stefan Gustafsson/*Hallands Nyheter*.

*British cartoonists mock London's efforts to embrace the euro (above) and their own country's ambivalence about closer ties to Europe (right). "Mother Sweden" opens her arms to Europe (below) after Swedish voters approved membership in a 1994 referendum.*





and 1998, German chancellor Helmut Kohl and French president Jacques Chirac went before the Polish parliament to declare that Poland would be a member of the EU by 2000. These promises proved hollow. Jan Kulakowski, Poland's chief negotiator with the EU, has now set his sights on entry by 2002, but the EU says it will be "ready" after 2003, and officials in Brussels are looking at the period 2005–06. Optimists are counting on the deadline set by British prime minister Tony Blair, who wants the new members in and able to take part in the next European Parliament elections, in June 2004.

Europe is also fumbling the second grand strategic task it set itself at the beginning of the 1990s: to establish an economic and monetary union, sym-

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bolized by a common currency. To his credit, then German chancellor Helmut Kohl stressed repeatedly that monetary union was an integral part of political union. But the qualifying rules for the euro did not say that. And most other national politicians evaded the issue, as if suspecting that their voters might be ready for a single currency but were not yet ready for a single state. Above all, the politics of the euro were allowed to overrule the eco-

nomics from the beginning.

The euro was indeed launched in January 1999, at least as a virtual currency to be used in bank accounts. The introduction of the new notes and coins will not follow until January 2002. But the euro's birth was marked by financial manipulations and sleights of hand that justified many of the doubts of the financial markets, and that contributed to its decline against the dollar. The rules to qualify for monetary union had been simple enough: An applicant country's level of public debt should be no higher than 60 percent of gross domestic product (GDP), and its annual budget deficit should be no higher than three percent of GDP. For the essentially political reason of creating the largest possible group of members, these rules were flouted. Belgium and Italy were both admitted with levels of debt that exceeded 100 percent of GDP. France manipulated the pension debt of its state-owned telecommunications company to make the threshold, and Germany made it only in the year after the euro's launch, when it banked the receipts from its auction of new telecommunications licenses.

The verdict of the markets was damaging. The Danish referendum vote in September 2000 against joining the monetary union probably owed most to the euro's sharp decline against the U.S. dollar. Born at a value of \$1.17, the new single currency declined steadily until, in the week before the Danish vote, it reached a low of \$0.84. As the Danes voted, German opinion polls showed significant majorities of 55 to 63 percent wanting to keep the

deutsche mark rather than make the planned switch to euro notes and coins in January 2002. Promised a sound and stable currency like the deutsche mark, Europeans have been given an unconvincing replacement that has behaved more like the Italian lira. Paradoxically, the euro's decline helped stimulate the sluggish German and French economies into an export-led boom as their goods became steadily cheaper for American consumers. In 2000, the EU countries were enjoying a trade surplus with the United States of more than \$7 billion a month. This in turn helped nudge the unemployment level in France and Germany below the politically critical level of 10 percent, still uncomfortably high when rates in the United States and Britain were below five percent.

**M**adeleine Albright's indecipherable map was even more telling than it looked. Europe on the ground was indeed a very messy place when the Americans, tongue not entirely in cheek, showed it to their allies. And yet, from the European point of view, that map was an extraordinarily hopeful document. Its very complexity was part of its charm. For most of the past few hundred years, while Europe emerged as a distinct culture and exploded into the world with the Renaissance, the Age of Exploration, and the Industrial Revolution, the continent's essential map had been simple. It was a Europe of imperial bastions and nation-states. The proliferation of new affiliations on the American map thus represents the

### The EU and its Neighbors



*The 15 current EU members are shown in white. Six applicants are on the "fast track" for future membership: Cyprus, the Czech Republic, Estonia, Hungary, Poland, and Slovenia.*

welcome emergence of the diplomatic equivalent of a pluralist civil society in place of what had been an assemblage of armed camps. The new Europe is both constrained and bound together by a series of nets, which reflect the real meaning of those multicolored circles on the map. There is the golden net of trade, and the steel net of security. There is the judicial net of the European Courts of Justice and of Human Rights, and the bureaucratic net of the EU's *acquis communautaire*, the 80,000 pages of rules and regulations that aspirant new members must incorporate into their own laws and administrations.

The essential difference between a European and an American perspective is one of time. Europeans look back 50 years to the first trembling steps of the European project, with the Schuman plan for merging the French and German coal and steel industries, and see almost miraculous progress. War, which was Europe's natural condition for centuries, has become unthinkable within the EU family. The long peace has brought unimagined prosperity. Europe has already built a single market, which operates by common rules that are enforced by the common legal system of the European Court of Justice. Europeans look forward 20 or 30 years, to a Europe of perhaps 30 nations, stretching from the Arctic to the Black Sea and perhaps even to the Caspian Sea. That putative Europe would be prosperous, democratic, and stable, united by a single currency and pursuing common economic, social, and foreign policies. Any European citizen would have the right to live and work and travel freely throughout the continent, using the same currency and enjoying the same legal rights in a manner not possible since the days of the Roman Empire.

Americans tend to take a more immediate and less roseate view. The

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problems of rebuilding the Balkans, assuring the security of the Baltic states, managing Russia, fixing trade disputes, and agreeing upon mutually acceptable rules for multinational mergers and electronic trading and competition in a globalized economy are urgent now. American politicians operate by a two-year or four-year clock, the intervals between congressional and presidential elec-

tions. In a Europe of 15 nations, elections happen all the time in one place or another, and politicians come and go, and there is no single winner like the U.S. president and no single arena of decision like the U.S. Congress. Indeed, the crucial rights of the European Parliament are defined as rights of codecision, in which laws are made in conjunction with the unelected EU Commission and with the European Council, where the 15 heads of national governments meet. The political system is therefore as pluralist, which is to say as confused and as baffling for an outsider seeking a source of accountability, as the indecipherable map. For impatient Americans, this European

complexity also means that decisionmaking is very slow.

**T**he EU is not yet a state, or a political actor, so much as it is a process, constantly in the course of becoming. It defies conventional analysis, being simultaneously less and more than the sum of its parts. It is something less than a state, yet considerably more than an economic association. It is not yet a federal system, but it is already, because of the European Central Bank and some common laws such as the European Convention on Human Rights, something more than a confederacy. It is a great power, but only in the economic sense. All the rest is potential, rather as the infant United States might have seemed at the time of *The Federalist*. This is a parallel repeatedly invoked by enthusiasts for the European project, who understandably like to impose a deep chronological perspective upon a process whose daily course is continually buffeted and obscured by the smoke and dust of political battle. The parallel is, however, selective. Europeans tend to skate over the fact that the defining event of America's long progress toward union was the Civil War.

Europe's defining events may already be upon it. Having agreed in principle in 1991 to develop a Common Foreign and Security Policy (CFSP), Europe now has one, with a single responsible official in charge, Javier Solana. He is also now equipped with a collective promise from the 15 heads of government, meeting in council at their Helsinki summit in December 1999, to mobilize by 2002 a force of 60,000 troops. They would be posted on assignment from the EU's various national armies, and capable of being deployed for up to a year. Because of leave and rotation, this will mean some 150,000 troops being trained or ready for such a force. Issues of command are still being discussed. Such a force would be able to replicate the current NATO peacekeeping mission in Bosnia and Kosovo, on whose troop numbers it was based. For the foreseeable future, it will be restricted to "permissive" environments of peacekeeping and spared the hostile environments of peacemaking. While its likely missions at present seem to be limited to the softer end of peacekeeping, the force is the nucleus of a potential European army. The Helsinki summit also resolved that the 60,000 troops would be joined by 15 warships and 15 squadrons of military aircraft. The Council members agreed as well to purchase more than 200 Airbus jets, equipped as military transports, to give the EU force the capacity for strategic airlift it currently lacks.

This was a dramatic departure for an EU that had in its previous 40 years studiously avoided military matters, preferring to leave them to NATO. It is also a dramatic departure for the United States. Previous U.S. administrations had warned the EU sternly against any such development, which was seen as an inherent threat to the primacy of NATO, and thus against U.S. interests. The Clinton administration, by contrast, has encouraged the Europeans to proceed, so long as NATO's prerogatives are respected, as a way to encourage them to assume a greater share of the burdens (financial and military) of sustaining international stability. That new American position has not only encouraged the EU to develop some of the military tools of

a conventional strategic actor, but has encouraged and even prodded Europe into increasingly ambitious geopolitical roles. The United States has urged the EU to move faster with enlargement, and to take the lead in rebuilding the Balkans, economically and politically. Europeans are increasingly uncomfortable with these grandiose assignments. President Clinton personally put great pressure on his EU counterparts to accept Turkey as a formal candidate for membership, despite objections that 70 million Muslims would not be easily absorbed into a largely Christian Europe. The EU heads of state also fear that since Turkey borders Iran, Iraq, and Syria, Turkey's accession could steer the EU into the dangerous neighborhood of the Middle East and Central Asia. In Aachen, Germany, last June, when he became the first U.S. president to receive the Charlemagne Prize, in recognition of his services to European integration, Clinton told the EU: "No doors can be sealed shut to Russia—not NATO's, not the EU's. Russia must be fully part of Europe." This stunned EU officials, who noted that Russian membership in NATO could require U.S. and European troops, under Article V of the Treaty, to help defend Russia's Siberian borders against Chinese or Islamic threats.

A force of 60,000 is a modest beginning. But it comes from a collection of wealthy countries that among them spend some \$140 billion a year on defense and have 1.8 million troops under arms, compared with the 1.3 million in the U.S. armed forces. They boast an advanced military-industrial and high-tech capacity, with a well-developed aerospace industry, satellites, and space launch capability. The EU contains, moreover, in Britain and France, the world's third and fourth biggest nuclear arsenals. The British and French navies include ballistic nuclear submarines and aircraft carriers. There is little doubt that, properly organized, equipped, and deployed, the EU could quickly become as serious a strategic rival for the United States as it is today a commercial one. Since this is precisely the kind of remote but theoretically conceivable prospect that contingency planners are paid to consider, it is unlikely that this possibility has been lost on the Pentagon. It has not been lost on some critics of the venture. John Bolton, who was an assistant secretary of state in the Bush administration, told Congress in November 1999, "The aim to align the foreign and defense policies of the EU's members into one shared and uniform policy is at times motivated either by a desire to distance themselves from U.S. influence or, in some cases, by openly anti-American intentions."

**R**ecent French rhetoric about America as the "hyperpower," whose current dominance needs the restraints and balances of a multipolar world, has fueled such concerns. And since the days of President de Gaulle, the need for Europe to develop the means to become a strategic actor in its own right, independent of the United States, has been a theme of French foreign policy. But that is unlikely to happen, for a number of reasons. First, staunch Atlanticist powers such as Britain, the Netherlands, and Denmark would not support a European foreign policy that challenged America or threatened NATO. Indeed, Javier Solana went to his new job as

CFSP chief directly from a successful stint as NATO secretary-general, a post in which he established firm Atlanticist credentials. Second, there is no sign that Europeans are prepared to pay for the bigger defense budgets such an ambition would require. Only Britain is increasing its defense spending, and that to a modest 3.1 percent of GDP. American defense spending in 1999 was 3.5 percent of GDP, the lowest share of national wealth since 1940, but markedly greater than the European average of 2.4 percent. In Germany, budget cuts are trimming the country's defense share down to 1.8 percent of GDP.

Still, serious difficulties are looming for transatlantic strategic relations. In the Middle East, Europeans dependent on oil imports have been far more accommodating to the Arabs than to Israel. The divergence in policy was clear during the outbreak of fighting between Israel and the Palestinians in October 2000, when the European members of the United Nations Security Council, Britain and France, refused to back U.S. efforts to

block a resolution critical of Israel. Another policy clash is looming over the Baltic region, where the United States is far more supportive of the three states' hopes of joining NATO (in the teeth of intense Russian opposition) than the Europeans are. Finally, the Europeans are openly skeptical of U.S. plans for a ballistic missile defense system, whose associated radar stations are supposed to be deployed on British and Danish soil.

Transatlantic tensions have been routine in NATO's half-century history, and so have European resentments of American strategic dominance and military leadership. What is both new and disturbing for the Atlantic alliance is the unique situation produced by the extraordinary degree to which the United States has become since the Cold War the dominant military, political, economic, technological, and cultural power in world affairs. Above all, the American pioneering of the "new economy" explains why the Europeans are now facing a critical moment. In the simplest of terms, Europeans can no longer take complacent refuge in that long-term perspective that sees great progress in the past 50 years and even more in the future. The world has changed too fast for that. The Cold War is over and the crucial Atlanticist glue has consequently lost its cohesive force. (NATO may one day wish to erect a small statue to Slobodan Milosevic, whose timely provision of a new common enemy justified NATO's continued existence.) The old transatlantic bargain of the Cold War, under which Europeans were content with being an economic superpower while leaving the serious military and political leadership to the Americans, is increasingly difficult to sustain.

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Not only has the geopolitical world of the Cold War passed, but the geo-economic world that is replacing it operates to a very large degree by American rules.

**M**ost crucial of all for its impact on the way Europeans live and work, the new digital economy is based on American technology and American patents, and the United States has built a commanding lead. To remain competitive, Europeans have been steadily reforming and even dismantling their traditional “social market” model of generous welfare states and high taxes. The British under Margaret Thatcher were the first to take this path, which explains why this essentially American policy is now known in Europe as the Anglo-Saxon model. The nominally left-of-center government of Tony Blair in Britain has echoed the Clinton administration’s assertion that “the era of Big Government is over” with welfare reform, workfare, and a commitment to free trade and free markets. In the summer of 2000, the German, French, and Italian governments each in turn announced “historic” tax cuts (French finance minister Laurent Fabius called them “the biggest in 50 years”), and reforms of the pension and welfare systems are also underway in these three biggest economies of the euro zone.

In domestic and political terms, this abandoning of the old social market model that served them so well is perhaps an even bigger departure for Europeans than is the decision to build an autonomous military force. The state can no longer be relied upon as the guarantor of security. Labor unions have lost much of their traditional power across Europe. State-owned companies, which used to provide job security, are being privatized and downsized across Europe. Germany’s new pension rules require workers to set up their own investment accounts to help finance their retirement. The need to embrace the new economy has forced major changes upon Europe’s corporate culture. Over the past

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five years, hostile takeovers have become commonplace, accepted, and even welcomed, rather than frowned upon. An investment system that was based on banks and cross-ownerships has been quickly replaced by equity, as Europeans have been trading in their traditional savings accounts and bonds to embrace the stock market and the NASDAQ-style Neuermarkt in Germany. These developments in turn have whittled away Europe’s old bastions of trade union power, which were

already under threat from the prolonged period of double-digit unemployment in the 1990s. The new pattern of employment is increasingly part-time, and based on limited contracts, and often outflanks the unions. After 50 years of wel-

fare state comforts, many Europeans think of the new economy in terms of new insecurity rather than new opportunity, particularly when their traditional champions in the trade unions or social democratic parties appear unable or unwilling to defend them. The social systems of Europe are being transformed, along with the continent's geopolitical condition and the wider geo-economic environment, just as its citizens are being instructed to surrender their familiar national currencies for a less-than-convincing replacement.

In short, public and private finances have been increasingly Americanized over the



*But can it fly? An oversized image of a euro coin stands before the European Central Bank building in Frankfurt, Germany.*

past five years, which may have helped European competitiveness but has had some sobering social and political effects. One of them is the erosion of that comforting sense of communal and caring superiority over the supposedly heartless American materialism that many Europeans used to nurture. Another source of European condescension, especially during the years of the civil rights struggle, was American "racism." One of the cultural shocks that has jolted Europeans has been, under the twin developments of immigration and waves of refugees, a reminder of their own capacity for xenophobia.

All wars have consequences, and the Balkan wars flooded the continent with refugees in a way unparalleled since the aftermath of World War II. Since many of them were illegal, estimates took the place of reliable figures, but the EU reckoned that its 15 members were host to some four million refugees, most but not all fleeing the wars of the Yugoslavian succession. Almost three million of them were in Germany, and another half million were in Austria, which helps explain the spasm of electoral protest that brought Jorg Haidar's Freedom Party 27 percent of the vote. A nationalist and populist who opposed Austria's membership in the EU, and now opposes both the euro and enlargement, Haidar periodically issued provocative statements about the "patriotic sacrifice" and "loyal service" of veterans of Hitler's war machine. The entry of his party into Austria's new



coalition government inspired protests across Europe, and a rather odd suspension of diplomatic courtesies by the EU partners. This token gesture, which amounted to little more than a refusal to pose for the usual "family photo" after European summits, outraged many Austrians who felt that Europe had no business sitting in judgment on their democratic choice.

It also sent a current of alarm through the smaller nations of the EU, which have sometimes objected that the big nations, and in particular France and Germany, pay too little regard to their rights and sensitivities. In Denmark, the decision to discipline Austria became an important issue in the referendum campaign, because Denmark's anti-immigrant People's Party made it so. The Danes' refusal to adopt the euro, by the significant if narrow margin of 53 to 47, owed something to their unease that Europe might one day want to challenge some Danish democratic vote. Populist parties, running on promises to stop immigration into Europe, are not restricted to Austria. In France, Jean-Marie Le Pen's National Front could rally some 15 percent of the vote with a demand to start sending immigrants back to their lands of origin. And in elections in Belgium the week after the Danish referendum, the Vlaams Blok (Flemish Bloc), on a similar platform of repatriation and expulsion of immigrant children from Flemish schools, won 33 percent of the vote in the city of Antwerp.

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Europe is not about to go fascist. But its voters are becoming susceptible to xenophobic appeals from populist and authoritarian parties warning that Europe has too many refugees and too many immigrants, and that enlarging the EU will bring low-wage competition from Polish and other guest workers. It will also be expensive, because many of the countries awaiting entry into the EU are so poor that

they amount to a serious challenge to development. The GDP of today's EU is almost exactly \$23,000 per head, more than four times greater than that of the Poles, Czechs, and Hungarians, who are in the first rank to join the EU in the coming years. The average EU citizen is more than 10 times richer than an average resident of Romania or Bulgaria, both of which are due to join in the second wave. And the fall of Slobodan Milosevic last October has presented for payment that postdated check the EU signed while NATO bombs were dropping on Serbia. Once Milosevic left the scene, the EU promised in the Stability Pact of 1999, Serbia and the other ex-Yugoslavian states could expect to join the line waiting for NATO and EU membership. Forget, for the moment, President Clinton's urgings that the EU leave open its doors for Russia, Ukraine, and Turkey; the EU's chosen task of bringing



*By refusing to embrace the euro in a referendum last year, Denmark dealt a severe blow to the sagging European currency and to hopes for speedier European economic integration.*

prosperity and stability to eastern Europe and the Balkans will be a costly and controversial mission for at least a generation to come.

**T**he problem is made more acute by the crisis of authority that is simultaneously gripping Europe. Those political elites who have in the past taken the most pride in the European project are now held in low esteem. In Germany, former chancellor Helmut Kohl has been protected against criminal inquiries over the receipt of illegal campaign funds by his parliamentary immunity, in a scandal that has badly damaged his party and soured his own reputation as the German unifier. Country after country has been rocked by scandal. Italy saw the decimation of its political class with the Tangentopoli inquiries, which culminated in the trial of one former prime minister (Giulio Andreotti) for Mafia connections, and the flight into exile of another (Bettino Craxi). In France, the conservative president Jacques Chirac and the socialist former finance minister Dominique Strauss-Kahn have both been accused of involvement in a scheme to raise party funds through rake-offs on public works projects in Paris. Spain's former premier Felipe González was badly tarnished by legal probes that established the responsibility of his ministers for the use of "death squads" in the dirty war against Basque terrorism. In Britain, where Tony Blair was helped to his 1997 election victory by attacking the "sleaze and scandals" of the Conservative incumbents, a million-pound donation to Blair's Labor party had to be returned after a scandal erupted. The donor, Bernie Ecclestone, ran the Formula One car racing industry, which was seeking government support to prevent the EU's banning of lucrative tobacco advertising.

In February 1999, all 20 members of the EU Commission felt impelled to resign after a prolonged scandal over fraud and mismanagement that had pro-

voked the European Parliament to withhold approval of the EU's budget. The political scandals did not simply reveal a tarnished handful of individual leaders, but began to look systemic, as if the European establishment as a whole was in question. The Commission, whose constitutional role is to be the guardian of the European Treaties, is the only body with the right to initiate legislation at the European level. It is the bureaucracy that manages the EU and its \$90 billion annual budget. It is also the custodian of the European idea, and has traditionally been the driving force behind the entire integration project. The Commission's mass resignation, in a period when most European countries were undergoing what might be called their Watergate phase, thus reflected discredit upon the European grand design itself just as enlargement and the single currency were to put Europe's institutions to their sharpest test. The new Commission, led by former Italian premier Romano Prodi, has not restored the situation, being distracted by bureaucratic infighting that has filled Europe's newspapers with claims of coups against Prodi, or Prodi's countercoups against the rival authority, the European Council.

It is in this context that Haidar's support in Austria and the Danish referendum vote should be seen, along with opinion poll majorities in Germany against both enlargement and the euro. Led by Prime Minister Poul Nyrup Rasmussen, the entire Danish establishment, from government ministers and top businessmen to the main media outlets and bankers, campaigned for a yes vote on the euro. Their failure symbolized the wider crisis of authority between Europe's elites and the citizens. "The political elite has never told the truth," claimed Jens-Peter Bonde, a maverick member of the European Parliament who campaigned against the euro. "All along they pretended the EU was about selling Danish pig meat for higher prices than on the world market. That was the story: that it came

only with benefits for the economy and never had aspirations to transform itself into a political union."

A large part of the difficulty the Blair government in Britain faces over its proposed referendum on the euro is that it has insisted on presenting the case purely in economic terms. Chancellor of the Exchequer Gordon Brown has set up five economic tests to measure the degree to which the British and European economies are converging; these are his criteria for judging whether the time is right. But as the Conservative opposition has argued with growing force, it is both wrong and electorally dishonest to present a matter as fundamental as the surrender of a national currency, and the crucial policy decisions over the money supply and interest rates that go with it, as purely economic. William Hague, the Conservative leader, has targeted this issue with precision: "The British prime minister and his Chancellor of the Exchequer have attempted to argue that the intro-

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*Europeans increasingly resent the effects of EU harmonization efforts that impinge on traditional life and culture, such as the demand that Germany alter rules on beer purity.*

duction of the euro has no constitutional implications whatsoever, and is a purely technical question. I find it difficult to believe they really believe this. The euro has potentially huge political consequences.”

**T**he political consequences are becoming plain to see. Europe’s political elites have agreed to establish a single currency, along with a common foreign policy, backed up by a dedicated military force to give it teeth. These are the crucial building blocks of a single political entity. Is that what Europeans want? Not only has this question never been put to European voters, but with the exception of occasional referendums, it cannot be. The elections that matter to most voters take place within nation-states, where “Europe” is just one of a host of more immediate and familiar issues. Elections to the European Parliament, which have seen steady declines in voter turnout, to a historic low of 43 percent in 1999, tend to reflect the popularity of national political parties at the time. And by definition, most politicians aspiring to become members of the European Parliament tend to be pro-European anyway. As a result, referendums such as the Danish vote on the euro or the French vote to ratify the Maastricht Treaty in 1992 (which passed by barely one percent) represent the few occasions when voters can record their view of the European project itself. When the question of whether voters wanted a federal Europe was last put (in 1995) in the EU’s Eurobarometer opinion poll, only two of 15 countries—the Netherlands with 56 percent and Belgium with 53 percent—recorded a majority yes vote. Germany and Italy recorded over 40 percent yes. The remainder, including Austria (35 percent), Denmark (26 percent), Sweden (30 percent), Ireland (32 percent), and Spain (34 percent) were less enthusiastic. A highly ambitious political edifice is thus under construction in Europe on uncertain foundations of public support. One of the remarkable features of the Danish referendum is that it took place at all. There was no such referendum on the euro in Germany, Italy, or France.

This problem of political legitimacy is complicated by the fact that the executive body that runs Europe on a day-to-day basis, the EU Commission, is not elected at all. The 20 commissioners are appointed by the member states, and they supervise a permanent bureaucracy of some 20,000 officials who are answerable only to the unelected commissioners. The Commission has made itself unpopular by a host of meddlesome and petty regulations for which “Europe” is commonly blamed. Steven Thorburn of Sunderland became a national hero in

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Britain in September 2000 by selling fruit and vegetables measured in pounds and ounces at a local market rather than by metric measure. His three old-fashioned scales were confiscated, and local officials informed him that he would be prosecuted and could go to prison for selling his goods in the way British markets have done for centuries. Germans grumble at the way the EU

bureaucrats of Brussels, acting in the name of competition, tried to get them to drop their 500-year-old purity law, which stipulates that good German beer can be made only from hops, yeast, malt, and water. Greeks complain about the EU rules on making their traditional feta cheese, and Spaniards protest that Brussels does not always know best how to smoke hams. In rural France, local police, reflecting a spirit of widespread resistance to the bureaucrats of Brussels, routinely warn traders when inspectors are coming to enforce the EU rules that prevent “unhygienic” sales of traditional and homemade local cheeses, jams, and foie gras.

**T**his is the unfriendly face of Europe to many of its citizens, not a grand and noble vision of a Europe whole and free, but a remote body of unelected bureaucrats threatening traditional ways. A Eurobarometer poll published last July found, for the first time in history, that only a minority 49 percent of Europeans favored their country’s membership in the EU. “Only when we show citizens that they will not have to submit to unified rules and regulations can we gain approval for Europe and win back the skeptics,” commented German president Johannes Rau. But without unified rules and regulations, what would be left of the idea of European union? More ominously for the future, the poll revealed scant support for making enlargement a priority. On average across the EU, only 27 percent said it should be a priority; 60 percent said it should not.

This is Europe’s existential crisis: Its governments and institutions are confronted by the essential questions of what Europe is and what it might yet be, and whether they will be able to summon the political will and public support for the next big step of enlargement. They have already failed one crucial test: reforming the controversial Common Agricultural Policy (CAP), which consumes \$40 billion a year, half the EU budget. Originally designed to ensure that Europe would be able to feed itself, the CAP has become a massive subsidy program for

European farmers. It cannot survive the coming of new member states from eastern Europe, where Poland alone has more farmers than Britain, France, and Germany combined. Indeed, enlargement can hardly proceed while the CAP endures. And yet, at the EU's Berlin summit in 1999, France blocked the implementation of an already-agreed-upon reform plan, and Germany acquiesced.

The situation is serious. The EU's two grand missions are in trouble. It is an open question whether Poland will become a full member by 2005, even though it has already decimated its steel industry to meet EU requirements. It has even become debatable, given the opposition in German opinion polls and the new demands for the resignation of Wim Duisenberg, head of the European Central Bank, whether the euro will be fully launched with notes and coins in January 2002. The mood of alarm has inspired some leading political figures to make important speeches. The classic case for a full-blooded federal Europe was advanced this year by German foreign minister Joschka Fischer. He wants an elected president of Europe with executive authority, a federal parliament with full legislative powers, and a written European constitution. France's president Chirac has responded with a call for a hard core of enthusiast states to proceed as far and fast as they choose down the path to integration, leaving laggards behind, all while basing the new Europe firmly on the nation-state. (If this sounds like trying to have one's cake and eat it too, so be it. France has never seen a contradiction between European integration and the interests and primacy of the French nation-state. Indeed, the waspish might say that France has confused the two since the days of Napoleon and Louis XIV.) Europe's wise old men, Helmut Schmidt, Valéry Giscard d'Éstaing, and Jacques Delors, have called for fundamental constitutional reform. Tony Blair, although the most pro-European British leader in more than 20 years, is determined to uphold the nation-state against the federal option. He has proposed strengthening the role of the European Council, which comprises the 15 heads of government, and giving the European Parliament a second chamber of deputies drawn from the various national assemblies. He has also warned that "the difficulty with the view of Europe as a superstate, subsuming nations into politics dominated by supranational institutions, fails the test of the people."

"There are issues of democratic accountability in Europe, the so-called democratic deficit," Blair argued in an important policy speech in Warsaw last October, when he called for Poland and other candidates to be full EU members by 2004. But his real purpose was to

address the question of political legitimacy: "The truth is, the primary sources of democratic accountability in Europe are the directly elected and representative institutions of the nations of Europe—national parliaments and governments. That is not to say Europe will not in future generations develop its own strong demos or polity, but it hasn't yet."

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All this grand constitutional talk may sound like shuffling deck chairs on the *Titanic*, but it must be done. Europe's leaders have to specify where it is going, and the public has to decide whether they agree. Moreover, there is an instant practical reason for reform: The looming prospect of enlargement requires it. The current Commission of 20 (one for each state and two each for the five largest countries) must be trimmed, to avert a Commission of 40 that would be even more unwieldy.

More crucial still, the question of voting weights must be decided. At present, big countries such as France, Germany, Britain, and Italy get 10 votes each in the Council of Ministers. Medium-sized countries such as the Netherlands (pop. 15.8 million) and Portugal (pop. 9.9 million) get five votes each. Sweden (pop. 8.9 million) gets but four, and Luxembourg (pop. 0.4 million) gets two. In voting terms, this means eight million Germans are the equivalent of 200,000 Luxembourgers. Enlargement will require wholesale renegotiation of this system, along with a definition of what constitutes a blocking minority, and how far the traditional national veto should be whittled back to let issues be settled by majority vote. At present, one big and two small countries can block anything.

**T**he EU summit at Nice this past December was supposed to resolve these matters. Stretching into five days, it proved to be the longest and most bitter EU summit ever, with small nations threatening to walk out rather than be bullied by the big ones. Finally, the 15 national leaders agreed to re-weight each nation's vote in the Council of Ministers—the future newcomers included—while crafting a complex formula for majority votes and blocking minorities that would allow three big countries to stop any change. They deferred other constitutional reforms until a new conference in 2004, but they kept the EU bicycle wobbling along by crafting the bare minimum of structural changes required for enlargement.

The immediate future of Europe will depend, to a greater or lesser degree, on events and decisions made in the United States. The euro's revival is likely to depend on a fall of the dollar accompanying an American financial crisis, whether on Wall Street or through the ballooning trade deficit. Enlargement of the EU depends on sustained U.S. pressure and the speed with which the United States prods NATO into the next phase of its own enlargement. Any EU military mission will depend on the United States' stepping back and letting Europe take the lead in some future crisis. And it is this American relationship that remains the most crucial for Europe. To a striking degree, Europe's integration has been pushed and backed consistently by the United States since the post-1945 years of NATO's formation and the Marshall Plan. Not all U.S. presidents have gone so far as John F. Kennedy, who in June 1963 solemnly envisaged an eventual political union between the United States and a future United States of Europe. Nonetheless, with President Bush's support for German unification, and President Clinton's support for enlargement and a European defense structure, U.S. backing has been maintained. American strategy was defined with some precision by Strobe Talbott, deputy secretary of state in the Clinton administration:

When our Administration says we support European integration, we mean both deepening and broadening; we mean both the consolidation of international institutions and the expansion, or enlargement, of those institutions. That means we encourage our friends in Europe to embrace the broadest, most expansive, most outward-looking, most inclusive possible version of integration. We have done so for reasons of our own self-interest. A politically united Europe will be a stronger partner to advance common goals. An economically united Europe creates a much more attractive environment for American investment. But I will be quite frank: We have an ulterior motive as well. We hope that the enlargement of NATO, of which we are a member, will contribute to the conditions for the enlargement of the EU, of which we are not a member, but in which we have such a profound, I'd even say vital, interest. From our vantage point, NATO enlargement and EU expansion are separate but parallel processes in support of the same overall cause, which is a broader, deeper transatlantic community.

But America may soon be facing its own existential question about the kind of Europe it hopes to see. If the revival of the euro depends on a fall of the dollar, or if America's geostrategic goals in Turkey and Russia to stabilize Eurasia falter because reluctant Europeans decline unwelcome new responsibilities, or if the Europeans refuse to deploy America's missile defense radar, then the 50-year-old Cold War bargain will be in trouble. The bigger Europe gets, the less it will want to play Sancho Panza to the American Don Quixote. Understandably, America wants a prosperous and stable Europe that can be a partner in global management without challenging America's leadership role. Equally understandably, the Europeans assume partnership means sharing power, as well as responsibilities. The question, as posed by French foreign minister Hubert Vedrine, is "whether a United States which is so powerful can or cannot accept having real partners."

An even more acute question emerges from that monstrously complex map with which this essay began. It is not simply a matter of whether Europeans live up to American expectations that they will serve as custodians and bankers for the survivors of the Soviet and Yugoslavian empires. Nor is it limited to the question of whether they are prepared to continue to accept Americans as first among equals of the European powers, with the permanent right to take the top military posts in NATO. American policymakers have learned from experiences such as Vietnam and Somalia, and from quarrels with Congress over foreign aid, to respect the force of public opinion, or even of public prejudice. Europe's policymaking elites are now facing a similar lesson. So the ultimate existential question for Europe is not whether it will be a federal state or a confederacy, or whether its military power will ever match its economic wealth, or whether it will partner with or challenge America. The real question is whether the European public, battered by social change and sick of high taxes and corrupt politicians, still trusts its elites to take such grandiose and costly decisions in its name. The noble aspiration of a Europe whole and free, harmonious and united, continues to inspire many of the continent's leaders. Their challenge, amid mounting public resentment and resistance, is to convince the voters to follow them. □