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The European Union: Going the Way of the Titanic?

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In the annals of the European Union, the summer of 2011 will not be remembered as a calm, lazy period. The August 16 meeting between German Chancellor Angela Merkel and French Prime Minister Nicolas Sarkozy, which took place against the backdrop of reports of a looming financial crisis in France, and the understandings that were reached on a series of financial matters (on which agreements had been reached in the past) were an additional milestone in the attempt by Euro zone leaders to calm the financial markets – thus far, not very successfully. In an interview with a French radio station on August 9, the president of the European Central Bank described the current financial crisis as the worst since the end of the Second World War. Previously, (August 6-7) he warned that “our democracies [i.e., EU states] would not be ready to provide once again the financial commitments to avoid a great depression in case of a new crisis of the same nature.” Such dramatic statements from an important figure are not heard every day.

Late July saw an emergency meeting of the seventeen leaders of the euro zone countries and the other members of the European Union. A number of decisions were made there in an attempt to cope with the Greek crisis (approval for a second financial aid package), as well as the crises in Ireland and Portugal and future crises (by granting additional powers to the “European Financial Stability Facility,” the financial rescue umbrella). Implementation of these decisions must await ratification by the national parliaments, i.e., at least until the end of September, but the hope that these decisions would calm the markets has not been realized. On the contrary: Spain, Italy, and perhaps France have been added to the list of the euro zone’s worries since the meeting in July.

On the eve of the July meeting, Greek Prime Minister George Papandreou, in a letter to his seventeen euro zone colleagues, shared his assessment that the crisis, which began in Greece, had “become a crisis of our shared European home.” The crisis “highlighted deep problems in the architecture of our currency, our governance structures, and our financial system.” He added that “no one member state can alone effectively deal with these questions” and pointed out that “crunch time” had arrived.

The structural problems to which Papandreou referred show the depth of the crisis in the European Union. However, the greater the crisis, the greater the challenge. The European Union, which had not experienced deep crises since its establishment, today faces an existential crisis taking place in the context of a global economic-financial crisis. From this standpoint, the euro crisis is no more than a symptom of the deeper problems concerning the European Union identity.

Because completion of EU fiscal-economic and political integration processes involves paying a political price that most EU leaders are not prepared to pay, they have engaged in crisis management (or more accurately, an attempt to put out fires), albeit without much success. Even if they were to succeed in stabilizing the situation and bringing about calm, this would not solve the roots of the crisis, which stems from the failure to complete the integration processes. Since the chances of completing the process appear slim, it is difficult to see how crises can be avoided in the future.

When the euro crisis began, it revealed the structural gaps between the “north” (the core countries), which is managing to cope (relatively) successfully with the economic-financial crisis, and the “south” (the periphery), which allowed its citizens to have a lifestyle that did not match their economic abilities. In the absence of a decision to erase debts, Greece, Portugal, and Spain will be highly unlikely to achieve economic growth in a manner that will allow them to significantly reduce their tremendous debt burden. The difficulties encountered by Italy, and apparently France as well, further dramatize the crisis. It is clear that if they are forced to request aid, the existing financial rescue umbrella will not be able to help, and it will be necessary to significantly increase the capital of the financial umbrella. The only country that will be able to do that is Germany, which will have to bear the financial burden.

European Union leaders have a number of options to cope with the crisis: completing the integration process (through fiscal and political unification) and establishing a United States of Europe, an option that appears to be unrealistic in the current circumstances; encouraging the weak members (such as Greece and Portugal) to leave the euro zone (unrealistic not only because of the financial ramifications for states such as Germany and France, but also because it would mortally wound the vision of a unified Europe); or muddling through, that is, pinpoint treatment of crises while seeking solutions that will erode some of the German taboo against such solutions. If this situation continues, it will mean a continued loss of solidarity and an increased focus on national considerations, along with a populist policy. Indeed, there is already a trend toward loss of EU legitimacy among the member states, which identify the difficulties and the burden with Brussels.

The European Union’s existential crisis raises the question of how much effectiveness and credibility the EU projects these days in general, and in the realm of foreign and defense policy in particular. In calmer times, the European Union had to struggle for its place in

the global arena; this is even more the case today. Even in normal times, the uprisings in the Arab world would have been a serious challenge to the European Union, and all the more so in these times of crisis. Thus, for example, it is difficult to see how the European Union will be able to meet the goals set by EU High Representative for Foreign Affairs and Security Policy Catherine Ashton in the realm of financial aid, opening of markets, and openness and mobility (immigration). The more sober European Union officials believed that the EU would do well to content itself with aid to Tunisia (and later, to Libya); Egypt is larger than the European Union can handle.

Ashton has been actively engaged in efforts to prevent a split in the European Union in the expected September vote in the UN General Assembly on recognition of a Palestinian state. At this point, it appears that her efforts will not bear fruit. On Ashton aspires to let the United States take the lead and coordinate with it. At the same time, she is attempting to exert pressure on the United States, by means of the Quartet, to change its stand. Thus far, she has not been successful.

Which of the possible scenarios are good for Israel? Over the years the European Union has taken a difficult stand on the Israeli-Palestinian conflict from Israel's point of view; a split in the European Union and a resulting rise in the national component could help Israel. However, in the long term Israel has an economic and political interest in strengthening the European Union in order to strengthen the West in the future international order. The division of Europe, along with the weakening of the United States, will not serve Israel's interests.

In conclusion, the birth of the European community is connected to the trauma resulting from World War II and the Cold War. The question is, does the European Union need a worse crisis experience that would call into question its future and its achievements, in order to make it clear to its leaders and the public that any solution, other than a collective solution, will not avail? There is a need to rise above short term national considerations in favor of the European long term interest, which is the only chance for the nations of Europe to successfully cope with the challenges of the international system in the twenty-first century.