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The End of Europe?

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The End of Europe?

Laurent Cohen-Tanugi

THE GREAT DEPRESSION

AFTER FRENCH and Dutch voters rejected the draft treaty establishing a constitution for Europe last spring, there was no doubt that a crisis of unprecedented seriousness confronted the European Union. The shock was so severe that the ratification process was extended for an indefinite “period of reflection,” to allow some EU members (such as the United Kingdom) to suspend further votes that might deal the treaty additional blows. Soon, however, the effects of the French and Dutch no votes were compounded by the European Council’s failure to agree on the EU budget for 2007–13 thanks to a Franco-British showdown over the financial rebate to the United Kingdom and the Common Agricultural Policy. This double fiasco triggered concern that even the past achievements of European economic integration once held to be irreversible, such as the single market and the euro, might come undone. Europe has been in a state of depression in the months since.

There are good reasons to be alarmed, but one should not misdiagnose the problem and mistake the symptoms of the EU’s crisis for its causes. Disagreement over the constitution did not precipitate the EU’s current troubles; rather, it was a growing malaise over the EU’s operation and prospects that precipitated the constitutional debacle. The constitution’s rejection by founding members of the EU does not in itself spell the end of the union, but it both reflects and deepens a profound crisis in the process of European unification—one that has no obvious solution and carries significant implications for the United States.

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A FRENCH EXCEPTION?

TO OUTSIDE observers, the present stalemate may appear to be just another in the long series of crises that have paved the way toward European unification. This pattern is evident in the EU's repeated deadlocks over its finances: negotiating the seven-year budget always involves tough posturing, extensive bargaining, and temporary breakdowns. The latest exercise was further complicated by increased financial burdens resulting from last year's eastward enlargement and the unwillingness of the richer member states (including some of those that pressed for enlargement) to increase or even to maintain their current contribution levels.

In other ways, too, the blow to the constitution is less severe than it might at first seem. There have been other ratification accidents in the past, such as the Danes' rejection of the Maastricht Treaty in 1992. (Danish voters ratified the treaty the following year after Denmark was allowed to opt out of some of its provisions.) True, the constitution's rejection by France and the Netherlands, two founding members of the European Community, the EU's ancestor, comes with a sharper sting. And given the contradictory reasons behind the rejection, it is difficult to imagine what adjustments or exceptions would ease the text's ratification in the future. But the no votes in France and the Netherlands had less to do with the constitution itself than with widespread frustration over economic and social ills at home, growing opposition to the ruling parties, and fears of large-scale trends such as globalization and immigration that were wrongly attributed to "Europe."

More important, hardly any of the treaty's new substance was debated during the French and Dutch referendum campaigns. The absence of a well-focused discussion only compounded the effect of the potent misrepresentation that surrounded the text from the beginning. As EU analysts will recall, the original purpose of what became the European constitution was a long overdue reform of the EU's institutions and decision-making processes, which had become increasingly unmanageable following successive waves of EU enlargement. After several attempts to streamline the union's operations failed (such as the treaties of Amsterdam [1997] and Nice [2000]), a convention of over 100 political representatives from the current

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25 member states was convened. Following more than 18 months of negotiations under the chairmanship of former French President Valéry Giscard d'Estaing, delegates reached an agreement over a broad range of institutional issues and political matters.

The process took a dangerous turn early on, when the convention set out to “write a Constitution for Europe” instead of using its broad mandate to launch a Europe-wide debate over what the EU’s purposes and policies should be in the twenty-first century. The lengthy document ultimately submitted for ratification in early 2005 had four parts, but only the first contained the bulk of the institutional reforms negotiated by the union’s 25 members during the constitutional convention. Part II incorporated into the EU’s legal framework the European Charter of Fundamental Rights adopted in 2000; Part III restated, with more coherence and certain improvements, existing EU treaty law; and Part IV contained provisions applicable only to the treaty itself, regarding amendment and ratification procedures. The convention had failed to produce a true constitution: the new treaty is indistinguishable from its predecessors from a legal standpoint. But the extensive hype surrounding the highly symbolic project set the public’s expectations—and fears—too high. The text had been oversold to the European public before it was even presented to it.

After that, the constitution fell victim to domestic politics. A clever, ad hoc opposition—to the treaty, European integration, EU enlargement, the market economy, globalization, and some national governments—took advantage of the public’s mixed feelings about Europe by obscuring the basic fact that the constitutional convention’s rational and well-intentioned central objective had been to address some of the EU’s shortcomings and distill its main tenets into a single comprehensive and streamlined document. It would be simplistic to pretend that the French (or the Dutch, for that matter) merely voted against their government when they rejected the treaty. But they certainly did not vote on, or have grounds to reject, anything the treaty would have brought about. In France at least, opponents to the text focused almost exclusively on Part III, the existing body of EU treaty law and policies, some of which dates back to the Treaty of Rome of 1957. The no campaign, orchestrated within the Socialist Party by former Prime Minister Laurent Fabius, targeted the market-economy principles that have

long underlain the European community's competition policy and its single market. On the one hand, it argued that the provisions of Part III, although long standing, took on a new meaning at odds with French interests when presented in a document with an enhanced constitutional status and in the context of EU enlargement and globalization. On the other hand, the no coalition claimed that because the truly novel sections of the treaty (contained in Part I) did little to respond to Europe's needs and challenges, its definitive burial would not be the end of the EU. By simultaneously undermining Part I and demonizing Part III, no-campaigners gave voters ample reason to mistrust the treaty and no reason to fear the consequences of rejecting it. Given the French public's traditional distrust of the market and its lack of familiarity with the complexities of Europolitics, the strategy worked.

THE CRISIS BELOW

MANY EUROPEANS believe that the treaty will ultimately be ratified in one form or another; others argue that the EU will survive with or without it. They may be right, but they are missing the point. A constitutional treaty designed by a former French president and modestly advancing the goals of European integration would not have been rejected by the citizens of two committed founding members of the EU if they had been confident about the EU's condition and its ability to solve their problems. The debacle is significant evidence, therefore, that the European project is undergoing the most serious crisis of its half-century history. The French and Dutch votes did not produce the crisis; they simply brought it to the surface and then aggravated it. It was the economic, social, and political shortcomings of the existing EU that brought about the rejection of the treaty, not the other way around.

Although in some ways the no vote was more an expression of distrust of domestic politics than of disaffection with the constitution itself, the referendum debates did center on the European project and its impact on peoples' future. With Part III recapitulating 50 years of European integration, moreover, the referendum gave voters their first-ever opportunity to challenge formally and directly core features

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of the EU: its competition policy, the freedom-of-movement rules in the single market (notably the liberalization of services), the euro and the EU's monetary policy, and enlargement. The pre-referendum debates also reflected dissatisfaction with slow growth and high unemployment, immigration, enlargement and "social dumping" from new members, the prospect of Turkish membership, globalization, and the growing competition from China and the United States. They revealed profound worry about Europe's ability to address these concerns, especially as a group of 25 heterogeneous members increasingly unable to act efficiently and with no stable geographic or cultural borders in sight. Never mind that the constitutional treaty improved the institutional framework and decision-making process of the EU and did little else. In classic French tradition, voters blamed Europe for their domestic economic ills and, by extension, the treaty for failing to remedy and perhaps reinforcing Europe's allegedly nefarious effects.

Rejecting the treaty could hardly have been the cure, of course, but the gesture itself suggests that European unification is indeed in a state of crisis—to a degree that has not always been properly recognized within or outside of Europe. More than anything, what drove the no votes was the EU's poor economic performance and uncertain long-term prospects. Although measures of economic well-being vary significantly among European states (largely as a result of domestic rather than EU policies), the EU as a whole and the eurozone in particular have consistently suffered from a serious growth deficit vis-à-vis the United States and remain plagued with slow growth, high unemployment, and public deficits. Europe lags substantially behind the United States in investment in research and development, technological innovation, and, since 1995, productivity gains. Various demographic trends and their impact on public finances and social programs, combined with global competition, seem to condemn Europe, in the long run, to being economically marginalized by the United States, as well as China and other emerging markets.

The much-celebrated Lisbon agenda of March 2000 was intended to turn the EU into "the most competitive knowledge-based economy in the world by 2010." But halfway down the road, its ambitions are less than half met. The EU continues to fail in fulfilling such hopes largely because the structural reforms needed to improve its economic

performance remain the province of national governments and require strong and coordinated leadership. Long-term vision and strong management have long been absent from many European political circles, and coordination has suffered from the declining effectiveness and legitimacy of the EU institutions since the early 1990s. The successful introduction of the euro and the waves of enlargement masked this decline for a time, but the pitiful negotiations of December 2000 leading up to the Nice Treaty (which governs the EU today) made it clear that the EU was in serious trouble.

What could be called “the deconstruction of Europe” began in the early 1990s, following the difficult ratification debates surrounding the Maastricht Treaty and the official completion of the single market. The EU’s intergovernmental institutions (mainly the European Council) took control of European unification at the expense of the European

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Commission and the European Court of Justice, which had been the twin boosters of European integration until then. The European Council committed itself to enlargement as the least controversial post-Cold War policy, but it proved incapable of strengthening EU institutions in a way that would preserve the cohesion and effectiveness of an expanding union. Without effective leadership from Brussels, the 15 western European

member states diverged significantly in their economic and social policies and practices—not to mention their visions of the EU itself. And the EU’s eastward expansion, which brought union membership to 25 in 2004, was carried out without institutional reform, a sufficient financial commitment, or popular consultation and support.

Last spring, in rejecting the constitution, French and Dutch voters protested both the EU’s poor economic record and its failure to maintain the sense of direction, homogeneity, identity, common purpose, and effectiveness that had carried the European project in its earlier years, however indeterminate the project may have been. These existential issues date back to the beginning of European unification, but the impact of successive waves of enlargement and the prospect of further expansion have made them impossible for Europeans to ignore.

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Despite the creation of a single market and the euro, the EU has not fulfilled its economic promise, even though economics is its undisputed domain, and the growing differences among its increasingly numerous members have tarnished the dream of its political unity. It was this twofold disappointment—the crisis of performance and the crisis of identity—rather than the fear of excessive integration that alienated a critical component of the French, Dutch, and other national electorates from the European project.

STUMBLING BLOCKS

STILL, the troubles of the European constitution may be serving an important, if unintended, purpose: to challenge the conventional celebration of the European social model, which is often brandished to counter attempts to introduce structural reform in key member states. Even the French, who have long defended a “social Europe” against Anglo-Saxon economic liberalism and the newly emerging “barbarians” from Asia, can no longer convincingly claim that a system that produces massive, long-term unemployment and minimal growth is a model worth following. The post-referendum debate in France has finally acknowledged the diversity of Europe’s economic and social practices and the difference between those states that have successfully adapted the welfare state and its ideology to market economics and global competition and those that have not. The United Kingdom, Ireland, Spain, and the Scandinavian and eastern European countries are doing well; the interventionist and socially rigid economies of Germany, France, and Italy are depressing EU growth and employment levels. The U.S. model remains anathema in Paris, but the combination of labor-market flexibility and social protection practiced in Scandinavia has become fashionable; in view of the United Kingdom’s growth and employment records, even the “British model” is no longer taboo by the Seine.

With the United Kingdom assuming the EU’s presidency for the second half of 2005, British Prime Minister Tony Blair has had an opportunity to invoke the French and Dutch votes and the budget deadlock to start a sound discussion on the EU’s condition, question its current budget priorities, and call for modernizing the union to

confront the challenges of the twenty-first century. Blair's address to the European Parliament on June 23, 2005 (in support of refocusing Europe's priorities toward growth, higher education, and research and innovation), may have been opportunistic, but it nonetheless received unexpected attention throughout the continent, including in Paris. Much as several years of economic and political stagnation precipitated the single-market program in the mid-1980s, the recent constitutional drama may have a positive aftermath and lead to a pragmatic rethinking of the EU's priorities.

One should not, however, underestimate the obstacles ahead. First among these are EU citizens' growing disenchantment with "Europe" and the troublesome mix of left-wing radicalism, right-wing sovereigntism, bipartisan populism, and anti-Americanism that buttressed the no votes. Despite their differences, these movements share a common aversion to market economics, economic competition, political liberalism, open borders, and transatlantic cooperation—that is, to a good part of what the EU stands for and needs more of. Although at bottom the no votes were a cry for significant change, the immediate effect of the referendums will likely be a defense of national interests and social privileges, however illusory. National governments will have to navigate around this contradiction. In the short run, they will probably try to improve their economic and social records with mild liberal reforms while maintaining the good old rhetoric (and much of the reality) of the status quo. Going forward, political debates will likely pit a bolder embrace of liberal market economics against a more radically social and nationalist approach to economic and social ills. The latter is already gaining ground in France.

Already lacking at the national level, where it most matters, the political leadership required for change is unlikely to come from Brussels. Setbacks to the European unification process have typically been followed by extended freezes on EU initiatives. (The difficult Maastricht ratification debate altered the whole European dynamic of the second half of the 1980s.) As long as salvaging the constitutional treaty in one form or another remains a hope, the European Commission is unlikely to undertake any measure that might upset public opinion or a national government.

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As could be expected, the British presidency of the EU has been too short and the challenge too formidable for the vision laid out in Blair's post-referendum agenda to have produced concrete results yet. In addition, France's irrational blow to its own vision of Europe as a world power has made the United Kingdom's influence within the EU both greater and more politically sensitive. Although the derailment of the constitutional project was a self-inflicted wound, it is widely viewed in continental Europe as the triumph of the Anglo-Saxon ambition for the EU: a vast free-trade area or, more plausibly, a loose confederation of nations cooperating on economic and certain political matters. The frustration many Europeans feel with such an outcome after 50 years of continuing unification will have to be addressed before a consensus on the European project can be rebuilt. And so even though the EU's substantive problems now appear more clearly to political leaders and public opinion, Europe is unlikely to be in a better position to deal with them for some time.

COLLATERAL DAMAGE

DESPITE THE views of those who still believe that a weak and fragmented EU is a good thing for the United States, the present state of affairs should be a matter of concern for Washington. Thanks to the constitutional fiasco, pragmatism and economic reform now top the EU agenda, but opportunities for reform may still succumb to the political and ideological forces that sealed the constitution's fate. In the meantime, the political consequences of the no votes will undoubtedly be negative for the United States.

First and most important, Washington will have to wait longer for the EU to become the more effective partner that it and the rest of the world need. Although the constitutional treaty anticipated only modest steps in that direction—such as a more stable EU presidency, an EU foreign minister, and certain improvements on security and defense—even these are now on hold, as the EU can be expected to devote a considerable amount of time and energy to its internal problems rather than to world affairs. Europeans seem to want the EU to play a bigger role on the world scene, but that desire has not

translated into more defense spending, a more consensual foreign policy, or a more strategic view of EU enlargement.

Even if dealing with a weakened, self-centered Europe would improve transatlantic relations (which remains to be seen), the United States needs more than that from a key ally in confronting global security and economic challenges. Without meaningful support from its European partners, Washington is likely to ignore them, fueling U.S. unilateralism, European resentment, and the tensions that have been so harmful in the past few years. Ad hoc groups set up to deal with discrete foreign policy and security matters, such as the European troika currently in talks over Iran's nuclear program, are useful second bests, but they are not nearly as effective as a stable and united global player allied with the United States.

The future of the EU's enlargement policy should be another, and perhaps more immediate, matter of concern for Washington. Among other things, the constitutional treaty's rejection by the French and

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the Dutch was a vote protesting the EU's admission, without popular consultation, of ten new members last year. For the treaty's opponents, as well as for many other Europeans, the EU's recent eastern enlargement poses two problems. First, the new members' more market-oriented (and more successful) economies raise fears of outsourcing, in addition to fears of increased competi-

tion in trade and from cheap immigrant labor. Second, the failure of the 15-member EU to strengthen its institutional system and rejuvenate its core mission has made the public fear, not without reason, that the 25-member union of today is an unworkable and unreasonable project.

These two sets of concerns are exacerbated by the prospect of Turkish membership, which also raises cultural, religious, and geopolitical issues for EU citizens. Indeed, the constitutional referendums have both turned enlargement into such a sensitive matter that national governments will no longer be able to bypass public opinion on it and put Turkey's membership, however distant, in even greater jeopardy than before. In a vain effort to insulate the constitutional

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referendum from popular fears relating to Turkey's possible accession, the French government imprudently amended the national constitution to require that, after Bulgaria and Romania join the EU, any further enlargement will have to be approved by referendum. That requirement is more likely to be imitated by other member states than ignored, casting doubt on any future expansion, including toward the Balkans.

Since the beginning of European unification, the United States has consistently advocated a wide and open union. European supporters of political integration regularly suspect that Washington's (and London's) pro-enlargement policy is motivated by the desire to prevent the advent of a more politically cohesive Europe. A more balanced assessment would stress that the United States has always had a primarily geopolitical vision of the European enterprise, regarding as its essential mission the spread of peace, democracy, and prosperity throughout and around Europe through the reinforcement of market mechanisms and the rule of law rather than through the creation of a United States of Europe. As it turns out, Europe has been remarkably successful at fulfilling the United States' hopes, and the EU's expansion toward southern and eastern Europe has been essential to regional prosperity and world stability. But the foreign policy virtues of expansion may now be reaching their limits: the enlarged EU is increasingly ineffective, and its citizens long for definite and politically meaningful borders and are widely opposed to Turkey's accession. During the negotiations between Brussels and Ankara, Washington should take greater account of the EU's sensitivities than it has in the past but still encourage institutional arrangements that preserve a close link between Turkey and the EU as well as, down the road, the prospect of membership for the Balkan countries.

The worst outcome of the EU's current crisis would be the gradual undoing of European unification, including in economic and trade matters, as a result of declining EU legitimacy and rising nationalism. Such a development would generate political instability and tensions in and around Europe, a concern that Washington has been spared for several decades. Although such a scenario appears unlikely, the persistence and rise of radical, nationalist, and anti-American tendencies in Europe is almost a certainty.

THE WAY FORWARD

SO WHERE does the EU go from here? There are no obvious legal or institutional solutions to the current impasse. The constitutional treaty itself, for which the ratification process continues, is bound to produce an unprecedented legal deadlock. Since the French and the Dutch voted against the document last spring and the referendum was postponed in the United Kingdom, other states, including Luxembourg, have ratified the treaty. The number of ratifying states now exceeds a majority of EU members and represents a majority of the EU's population. Still, unless the countries that rejected the constitution are invited to vote again on the same text (which is unlikely) or an amended version is submitted for ratification in all 25 members, the treaty is already history. In any event, not much will happen on this question (or any other) unless the winner of the French presidential elections, scheduled for the spring of 2007, is committed to putting France back in the EU driver's seat. Meanwhile, hopes that a strong Franco-German union or a union of core member states could counteract the EU's institutional weaknesses have become less realistic than ever in the aftermath of the French (and, to a lesser extent, the Dutch) vote, as both scenarios rely on a healthy France committed to a politically unified Europe and a Germany willing to permanently favor Paris over London or Washington. Although long-standing Euroskeptics such as Czech President Václav Klaus believe that the EU's current condition is a realistic, stable, and desirable outcome of a half century of European unification, most Europeans reject this view—and with reason. The current state of the union, were it to last, would soon give way to the EU's regression.

In the end, only pragmatic steps can help the EU out of its crisis. The first one is to boost Europe's overall economic performance, improve its employment record, and ease its social malaise. This is largely a domestic challenge facing France, Germany, Italy, and other founding members. At the EU level, a few changes would be beneficial: realigning Germany and France along more liberal economic tracks and renewing the EU's commitment to both integration and its partnership with the United States. These steps, both significant departures from the past few years, would strengthen European unity and in turn create an

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environment more favorable to a new European initiative to which the United Kingdom and eastern European members could subscribe. Further progress on institutional and policy matters (such as security and immigration policies) would also help reconcile the citizens of the former European Community with the enlarged EU. This is a key challenge, but it is also a prerequisite for future accessions, including those of Romania, Bulgaria, and the Balkan states. As for other countries, Brussels will have to devise a new form of economic and political partnership that falls short of actual membership.

All of these adjustments will require vision, leadership, and diplomacy on the part of European governments. It is ironic that the EU stumbled just as the Bush administration was beginning to acknowledge its existence and even its virtues. Still, Washington should help its European allies out of the impasse, if only to protect one of the key pillars of Western identity and global stability—and the most progressive political experiment of our time. 🌐