

THE FUTURE OF THE EUROPEAN UNION

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**TESTIMONY TO THE COMMITTEE ON FOREIGN AFFAIRS
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MR. CHAIRMAN, RANKING MEMBER ENGEL, AND MEMBERS OF THE COMMITTEE:

IT IS AN HONOR TO BE INVITED TO SPEAK WITH YOU TODAY, IN THE COMPANY OF THESE OTHER EXPERTS. IT IS OBVIOUSLY A TUMULTUOUS TIME FOR THE NATIONS OF EUROPE, MOST OF WHOM ARE CLOSE ALLIES OF THE UNITED STATES. BECAUSE THE EUROPEAN UNION IS A KEY TRADING PARTNER, HOME TO MORE THAN 500 MILLION PEOPLE, AND TIED TO THE UNITED STATES THROUGH NATO AND MANY OTHER CONNECTIONS, ITS CONDITION IS OF OBVIOUS IMPORTANCE TO THE UNITED STATES. TRYING TO ANTICIPATE ITS FUTURE PATH IS THEREFORE A CRITICAL TASK.

UNFORTUNATELY, IT IS HARD TO BE OPTIMISTIC ABOUT THE EU'S LONG-TERM PROSPECTS. ALTHOUGH THE EU HAS BEEN A POSITIVE FORCE IN WORLD POLITICS FOR MANY YEARS, IT NOW SUFFERS FROM GROWING STRUCTURAL TENSIONS AND A SERIES OF SELF-INFLICTED WOUNDS. ITS MEMBERS MAY OVERCOME TODAY'S CHALLENGES AND CONTINUE TO BUILD AN "EVER-CLOSER UNION," BUT THIS OUTCOME IS UNLIKELY. INSTEAD, THE EU IS MORE LIKELY TO FACE REPEATED CRISES AND GROWING INTERNAL DIVISIONS, AND WE CANNOT RULE OUT THE POSSIBILITY OF GRADUAL AND IRREVERSIBLE DISINTEGRATION. THIS SITUATION IS NOT GOOD NEWS FOR THE UNITED STATES, AS IT WILL MAKE EUROPE A LESS VALUABLE ALLY AND INCREASE THE NUMBER OF PLACES AND ISSUES THAT U.S. LEADERS NEED TO WORRY ABOUT.

TO EXPLAIN WHY I REACH THIS DEPRESSING CONCLUSION, I FIRST DESCRIBE THE EU'S PAST ACHIEVEMENTS AND THEN DISCUSS THE MAIN SOURCES OF STRAIN IT NOW FACES. I CLOSE BY OUTLINING SEVERAL POSSIBLE FUTURES AND EXPLAIN WHY I BELIEVE THE EU'S BEST DAYS ARE BEHIND IT.

Past Achievements

THE EUROPEAN UNION IS IN MANY WAYS A REMARKABLE POLITICAL EXPERIMENT. IN THE AFTERMATH OF THE MOST DESTRUCTIVE WAR IN HISTORY, AND AFTER CENTURIES OF RECURRING CONFLICT, A GENERATION OF EUROPEAN LEADERS HAD THE IMAGINATION AND DETERMINATION TO CONCEIVE AND CREATE A NEW ORDER BASED ON ECONOMIC INTEGRATION, OPEN BORDERS, AND THE PARTIAL SURRENDER OF SOVEREIGNTY TO A NEW SUPRANATIONAL ORGANIZATION. THE ORIGINAL EUROPEAN COAL AND STEEL COMMUNITY EVOLVED TO BECOME THE EUROPEAN COMMON MARKET, EXPANDED TO INCLUDE A HOST OF NEW ENTRANTS, AND THEN DEEPENED TO BECOME THE EUROPEAN UNION AND CREATE A COMMON CURRENCY FOR SOME OF ITS MEMBERS.

FOR MUCH OF THE PAST HALF-CENTURY, THIS COLLECTIVE EFFORT ENCOURAGED ECONOMIC GROWTH, GAVE EUROPE A MORE COHERENT VOICE IN INTERNATIONAL ECONOMIC AFFAIRS, AND REDUCED THE DANGER OF GREAT POWER COMPETITION IN EUROPE ITSELF. THE EU HAS ALSO BEEN AN INFLUENTIAL MODEL FOR OTHER STATES, AND ESPECIALLY THE POST-COMMUNIST GOVERNMENTS IN EASTERN EUROPE. INDEED, THE DESIRE FOR EU MEMBERSHIP ENCOURAGED THESE STATES TO ADOPT CRITICAL DEMOCRATIC REFORMS FOLLOWING THE COLLAPSE OF THE SOVIET UNION AND DAMPENED POTENTIAL CONFLICTS DURING THIS DELICATE TRANSITION PERIOD.

YET DESPITE THESE IMPRESSIVE ACCOMPLISHMENTS, THE EU'S PRESENT CONDITION AND FUTURE PROSPECTS ARE NOT BRIGHT. IN PARTICULAR, IT NOW FACES AT LEAST FIVE FUNDAMENTAL CHALLENGES. SOME OF THESE CHALLENGES ARE PROBLEMS OF ITS OWN CREATION; OTHERS REFLECT BROADER CHANGES IN THE WORLD AT LARGE. NONE OF THEM WILL BE EASY TO OVERCOME.

SOURCES OF STRESS

1. Over-Expansion

THE EU IS NOW A VICTIM OF ITS PAST SUCCESSSES. WHAT BEGAN AS A LIMITED ARRANGEMENT AMONG SIX COUNTRIES TO COORDINATE THE PRODUCTION AND MARKETING OF COAL AND STEEL HAS BECOME AN ELABORATE SUPRANATIONAL ORGANIZATION WITH TWENTY-EIGHT MEMBERS, WHOSE AFFAIRS ARE PARTIALLY GOVERNED BY THE EUROPEAN COMMISSION, THE COUNCIL OF EUROPE, THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL AND ITS ELECTED PRESIDENT, THE EUROPEAN COURT OF JUSTICE, AND A HOST OF SUBSIDIARY AGENCIES. EACH MEMBER-STATE RETAINS A SEPARATE NATIONAL GOVERNMENT, HOWEVER, WITH AUTHORITY OVER HEALTH, POLICE, FISCAL POLICY, AND DEFENSE AND FOREIGN POLICY. TODAY, EUROPE'S GOVERNANCE ARRANGEMENTS MAKE AMERICA'S FEDERAL SYSTEM LOOK SIMPLE BY COMPARISON.

MOREOVER, AS THE EU HAS GROWN, ITS MEMBERSHIP HAS BECOME INCREASINGLY HETEROGENEOUS IN TERMS OF POPULATION, ECONOMIC SIZE, PER CAPITA INCOME, AND CULTURAL BACKGROUND. AT ROUGHLY €2 TRILLION, GERMANY'S GDP IS MORE THAN THREE HUNDRED TIMES LARGER THAN MALTA'S (€6 BILLION), WHILE LUXEMBURG'S PER CAPITA INCOME IS ROUGHLY EIGHT TIMES LARGER THAN LATVIA'S AND FIVE TIMES LARGER THAN THAT OF GREECE. THE GEOGRAPHIC SIZE, POPULATION, AND NATURAL RESOURCE ENDOWMENTS OF THE EU'S MEMBER STATES ALSO VARY ENORMOUSLY, AS DO THEIR CULTURES, RELIGIOUS AFFILIATIONS, AND NATIONAL HISTORIES.

IRONICALLY, THAT HETEROGENEITY IS A KEY REASON WHY THE EU'S NEWEST MEMBERS (MOSTLY FROM EAST AND SOUTHEASTERN EUROPE) WERE EAGER TO JOIN, AND WHY THE ORIGINAL MEMBERS ENCOURAGED THEIR ASPIRATIONS. IN ESSENCE, BOTH PARTIES WANTED THE NEW MEMBER STATES TO BECOME MORE LIKE THE REST OF THE COMMUNITY. BUT CONVERGENCE BETWEEN OLD AND NEW MEMBERS HAS BEEN SLOW AND INCOMPLETE, AND THE EU'S GOVERNING INSTITUTIONS MUST TRY TO ACCOMMODATE AND RECONCILE A BROADER ARRAY OF INTERESTS, POLITICAL TRADITIONS AND HISTORICAL EXPERIENCES THAN IT DID IN EARLIER PERIODS. THE INEVITABLE RESULT IS THAT HARDER FOR THE EU TO REACH CONSENSUS ON CRITICAL ISSUES AND MORE DIFFICULT TO RESOLVE UNDERLYING PROBLEMS IN A TIMELY AND EFFECTIVE MANNER.

AS THE EU HAS GROWN, IN SHORT, IT HAS BECOME MORE CUMBERSOME, MORE DIVIDED, AND LESS EFFECTIVE. IT HAS ALSO BECOME LESS POPULAR, WITH MORE THAN 70 PERCENT OF EU CITIZENS REPORTING IN 2013 THAT

"their voices do not count in EU decision-making" and nearly two-thirds declaring "the EU does not understand the needs of its citizens."¹

2. The Demise of the Warsaw Pact

The disappearance of the Soviet Union was a welcome development, but it removed one of the main motivations for European unity. Although scholars and journalists often portray the EU as a purely economic and political project, security concerns were a key part of its rationale from the start.² In particular, European leaders in the 1950s believed only a continental-scale economy could provide the wherewithal to counter the Soviet Union and Warsaw Pact, and economic integration was also necessary to prevent political rivalries from undermining the Western effort to keep communism from spreading. Together with NATO, therefore, European economic integration was an important component of the Western effort to contain Soviet expansion.

This security rationale faded as NATO became stronger and it disappeared entirely when the Soviet Union collapsed. The absence of a clear and present danger permitted Europe's leaders to focus more attention on individual national concerns, and devote less political capital to preserving the broader European project. EU members have repeatedly pledged to develop a "common foreign and security policy," but they have never succeeded in doing so. Today, the incoherent and inconsistent European response to events in Ukraine highlights the lack of consensus among EU governments on basic foreign policy issues.

3. The Euro Crisis

The third problem facing the EU today is the euro crisis. With hindsight, it is clear the decision to create the euro was a fateful error, as skeptics from across the political spectrum warned at the time. European leaders established a common currency for political rather than economic reasons: they sought to give new momentum to the broader goal of European unity, to bind a reunified Germany within a stronger set of European institutions, and to put Europe on a more equal footing with the United States.

But as the euro's critics emphasized, the EU did not possess the political and institutional mechanisms needed to make a currency union work. Instead, the euro's proponents simply assumed that eurozone members would abide by agreed-upon fiscal guidelines and never allow themselves to get into serious financial trouble. As Joseph Joffe, the editor of *Die Zeit*, noted back in 1997, the euro tied the disparate national economies together like cars on a locomotive

¹ Pew Research Center, "Key takeaways from the European Union Survey," May 12, 2014, at <http://www.pewresearch.org/fact-tank/2014/05/12/5-key-takeaways-from-the-european-union-survey/>

² See Sebastian Rosato, *Europe United: Power Politics and the Making of the European Community* (Ithaca: Cornell University Press, 2012).

and assumed that all would run at the same speed and on the same track forever.³ The euro's architects further assumed that if these assumptions proved to be too optimistic (as indeed they did), a future crisis would force them to create the political and economic institutions they needed (e.g., common bank regulations, shared fiscal policy, a stronger central bank, and greater capacity to transfer resources from wealthy states to members in need of help).

The 2008 financial crisis exposed their follies and the EU has been preoccupied with containing the damage ever since. Seven years have passed since the crisis hit and top government officials and central bankers are still devoting countless hours to saving the common currency. They have made tentative steps toward creating slightly stronger economic institutions, but the EU is still light-years away from having the political institutions needed to sustain a genuine currency union. When Greece exits—as it almost certainly will—this event will demonstrate that the euro is not irreversible and sow new doubts about its long-term prospects.

The economic costs of the euro crisis have been enormous, but the political costs are also substantial. Every hour that Europe's leaders have spent trying to dig themselves out of this mess is an hour they could not devote to dealing with China's rise, the problem of terrorism, the consequences of the so-called Arab Spring, Russia's policy in Ukraine, or any number of domestic issues. Even worse, the euro crisis has sown deep divisions within the continent itself, as debtors and creditors increasingly regard each other with a level of resentment and hostility not seen for many years. Needless to say, this situation is not what the euro's creators had in mind when they took that fateful step.

4. A Deteriorating Regional Environment

The EU is now buffeted by serious instability on its frontiers. State failures in Libya, Syria, Yemen, and parts of Africa have produced a growing flood of refugees seeking to enter the EU, while the emergence of Al Qaeda, ISIS and other extremist movements has had worrisome repercussions among small percentage of Europe's Muslim population. While it is sometimes exaggerated, the danger of home-grown terrorism is not zero and a number of Europeans are now calling for new barriers to immigration and new limits on cross-border movements within Europe itself. If adopted, such measures would reverse the movement toward open borders that was one of the singular achievements of the 1986 Single European Act. Last but not least, continued violence in Ukraine raises new concerns about the security of the EU's eastern frontier. EU member-states have thus far been unable to agree on new measures to address any of these challenges, further underscoring the dysfunctional nature of contemporary EU decision-making.

5. The Persistence of Nationalism

The elites who created and built the EU hoped that it would transcend existing national loyalties and that its citizens would eventually identify as Europeans first and as Germans, Danes, Italians, Belgians, Spaniards, etc. second.

³ Joseph Joffe, "The Euro: The Engine That Couldn't," *New York Review of Books*, December 4, 1997, at <http://www.nybooks.com/articles/archives/1997/dec/04/the-euro-the-engine-that-couldnt/>

THIS TRANSFORMATION OF LOYALTIES HAS NOT OCCURRED; IF ANYTHING, PUBLIC ATTITUDES ARE HEADED THE OTHER WAY. AS PREVIOUSLY DISCUSSED, THE EURO CRISIS HAS EXACERBATED NATIONAL TENSIONS AND EUROPEAN LEADERS HAVE CONSISTENTLY EMPHASIZED NATIONAL INTERESTS RATHER THAN THE BROADER GOAL OF EUROPEAN UNITY, EVEN AS THEY ATTEMPT TO STRENGTHEN THE EU'S EXISTING INSTITUTIONS.⁴ THE UNITED KINGDOM MAY EVEN VOTE TO LEAVE THE EU NEXT YEAR, WHILE RESURGENT NATIONALISM COULD LEAD SCOTLAND TO EXIT THE UNITED KINGDOM. POWERFUL NATIONALIST SENTIMENTS CONTINUE TO SIMMER IN CATALONIA AND SEVERAL OTHER REGIONS AS WELL.

ECONOMIC HARDSHIP AND RISING OPPOSITION TO IMMIGRATION HAVE ALSO FUELED A RESURGENCE OF EXTREME RIGHT-WING MOVEMENTS IN MANY EUROPEAN STATES. THESE MOVEMENTS ARE HOSTILE TO THE CORE PRINCIPLES UPON WHICH THE EU IS BUILT AND THEIR GROWING POPULARITY RAISES FURTHER DOUBTS ABOUT THE EU'S LONG-TERM FUTURE. ADD TO THIS MIX EUROPE'S UNFAVORABLE DEMOGRAPHY—ITS POPULATION IS DECLINING AND THE MEDIAN AGE IS RISING RAPIDLY—AND YOU HAVE A RECIPE FOR CONTINUED ECONOMIC STAGNATION AND POPULAR DISCONTENT. IF THESE TRENDS BRING PARTIES SUCH AS FRANCE'S NATIONAL FRONT TO POWER, IT WILL MAKE IT EVEN HARDER FOR THE EU TO REGAIN ITS FORMER LEGITIMACY AND RESTORE MOMENTUM FOR FURTHER INTEGRATION.

What Lies Ahead?

LOOKING FORWARD, ONE CAN IMAGINE AT LEAST THREE POSSIBLE FUTURES FOR THE EUROPEAN UNION. FIRST, EUROPE'S CURRENT LEADERS COULD FOLLOW IN THEIR PREDECESSORS' FOOTSTEPS AND FIND NEW WAYS TO OVERCOME THE CHALLENGES IDENTIFIED ABOVE. SUPPORT FOR EUROPEAN INTEGRATION HAS WAXED AND WANED IN THE PAST, BUT PREVIOUS EUROPEAN POLITICIANS EVENTUALLY OPTED TO MOVE FORWARD RATHER THAN LET THEIR GRAND EXPERIMENT LANGUISH OR COLLAPSE. IN THEORY, CREATIVE AND DETERMINED LEADERSHIP COULD SAVE THE EURO (WITH OR WITHOUT GREECE), BUILD THE INSTITUTIONS NEEDED TO SUPPORT A COMMON CURRENCY, INTEGRATE IMMIGRANT POPULATIONS MORE EFFECTIVELY, AND ADOPT REFORMS DESIGNED TO TRIGGER MORE VIGOROUS ECONOMIC GROWTH ACROSS THE CONTINENT. CONCERNS ABOUT RUSSIA'S INTENTIONS MIGHT PROVIDE A NEW RATIONALE FOR UNITY AS WELL, AND ESPECIALLY IF THE TROUBLE IN UKRAINE SPREADS TO OTHER AREAS.

UNFORTUNATELY, THIS OPTIMISTIC VISION OF A REINVIGORATED EU IS UNLIKELY TO OCCUR. THERE ARE NO EUROPEAN LEADERS TODAY WITH THE VISION AND STATURE OF A KONRAD ADENAUER, CHARLES DEGAULLE, OR MARGARET THATCHER, AND EUROPEAN PUBLICS ARE MORE LIKELY TO REWARD POLITICIANS WHO SECURE BETTER DEALS FOR THEIR INDIVIDUAL COUNTRIES RATHER THAN THOSE WHO SACRIFICE NARROW INTERESTS IN FAVOR OF AN EVER-CLOSER UNION. THE EU'S ELABORATE GOVERNANCE STRUCTURES WOULD MAKE ANY SERIOUS REFORM EFFORT A LONG AND TORTUROUS PROCESS, WHICH MEANS EVEN A SUCCESSFUL RESURGENCE IS LIKELY TO TAKE YEARS TO DESIGN AND IMPLEMENT.

INSTEAD OF A NEW PUSH FOR EVER-GREATER UNION, THEREFORE, THE EU IS MORE LIKELY TO SIMPLY MIDDLE THROUGH. IT WILL STRIVE TO CONTAIN THE FALLOUT FROM A GREEK, SIGN THE TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP (TTIP) WITH THE UNITED STATES AND PURSUE CLOSER ECONOMIC TIES WITH CHINA.

⁴ THIS BEHAVIOR IS NOT NEW; EARLIER STEPS TO BUILD STRONGER INSTITUTIONS INVARIABLY INVOLVED BARGAINS BETWEEN COMPETING STATE INTERESTS. SEE ANDREW MORAVCSIK, *THE CHOICE FOR EUROPE: SOCIAL PURPOSE AND STATE POWER FROM MESSINA TO MAASTRICHT* (ITHACA: CORNELL UNIVERSITY PRESS, 1998).

IF ALL GOES WELL, THE EU WILL STILL BE IN BUSINESS, BUT ITS CURRENT LIABILITIES WILL REMAIN AND ITS GLOBAL INFLUENCE WILL CONTINUE TO DECLINE.

THERE IS A THIRD POSSIBILITY, HOWEVER: THE EU EXPERIMENT COULD BEGIN TO UNRAVEL IN MORE FAR-REACHING WAYS. GREECE'S EXIT FROM THE EUROZONE WILL CREATE NEW DOUBTS ABOUT THE EURO'S FUTURE, MORE MEMBER-STATES MAY BEGIN TO QUESTION THE BENEFITS OF MEMBERSHIP AND A FEW (SUCH AS GREECE OR HUNGARY) MIGHT EVEN DRAW CLOSER TO MOSCOW. NATIONALIST RESENTMENTS COULD FESTER AND DEEPEN, AUTHORITARIAN OR NEO-FASCIST LEADERS COULD COME TO POWER SOMEWHERE, AND GREECE OR HUNGARY MIGHT EVEN DRAW CLOSER TO MOSCOW. IF THE EU BEGINS TO UNRAVEL, THE ONLY QUESTION MAY BE: HOW FAST AND HOW FAR?

NEITHER "MIDDLING THROUGH" NOR GRADUAL COLLAPSE WOULD BE GOOD NEWS FOR THE UNITED STATES. EUROPE IS NOT AS VITAL A STRATEGIC INTEREST AS IT WAS DURING THE HEIGHT OF THE COLD WAR, BUT IT IS STILL AN IMPORTANT ECONOMIC AND MILITARY PARTNER. SLOW GROWTH IN EUROPE ALSO MEANS SLOWER GROWTH HERE IN THE UNITED STATES, AND A DIVIDED AND POORER EUROPE WILL BE EVEN LESS HELPFUL AS THE UNITED STATES TRIES TO DEAL WITH A RISING CHINA, A TURBULENT MIDDLE EAST, OR INSTABILITY IN SUB-SAHARAN AFRICA. PROBLEMS WITHIN THE EU WILL DISTRACT US, AND REDUCE THE TIME AND ATTENTION US LEADERS CAN DEVOTE TO OTHER ISSUES.

TO SUM UP: SINCE THE END OF THE SECOND WORLD WAR, TRANQUILITY AND PROSPERITY IN EUROPE HAS BEEN OF ENORMOUS BENEFIT TO THE UNITED STATES. THE EUROPEAN UNION WAS NOT THE ONLY SOURCE OF STABILITY AND ECONOMIC GROWTH IN EUROPE, BUT IT WAS A KEY INGREDIENT IN A WORLD ORDER THAT WAS OVERWHELMINGLY FAVORABLE FOR THE UNITED STATES. IF THE EU'S BEST DAYS ARE BEHIND IT—AND THERE ARE GOOD REASONS TO BELIEVE THAT THEY ARE—THEN AMERICANS MUST PREPARE FOR A WORLD THAT IS LESS STABLE, SECURE AND PROSPEROUS THAN THE ONE TO WHICH WE HAVE BECOME ACCUSTOMED. I HOPE THAT IS NOT THE CASE, BUT IT IS THE MOST LIKELY OUTCOME GIVEN WHERE WE ARE TODAY.

THANK YOU.