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## The 2008 Crisis and the New Role of the European Union in the Global Arena

**Abstract:** *The process of European integration has not been finalised by a so-called finalité politique i.e. a supranational entity, probably in form of a federation. This entity, expected to play an independent and crucial role in the global arena, is still not created yet. At the same time, the crisis on global markets in 2008 and its aftermath has created many new and unprecedented challenges. Crisis as such is nothing new in the history of European integration, in fact it has been stated that real progress went 'from crisis to crisis' (J. Delors). This means that only new challenges push forward the whole machinery. The situation after 2008 is different however, as at this moment the European Union is challenged by a multilayer crisis. Namely, the EU currently has problems with: 1) Leadership and strategic vision; 2) Economic crisis in the Eurozone, together with overwhelming domestic debts in the so-called PIGS countries, mainly of the Mediterranean region; 3) Institutions (the 'democratic deficit'), and even 4) Axiology, i.e. a common system of values, which are being frequently and openly challenged in many Member States by various political forces. Thus the EU today, in the middle of the second decade of the twenty-first century, is staying just in front of the threshold, or rather a fault-line, and faces a cardinal dilemma: how to deepen integration, including the crucial CFSP, amongst a growing tide of renationalisation? One thing seems to be obvious, however. The longer will be the crisis (multi-layered!), the greater will be the opportunities for anti-integration forces and processes. Only strong leadership with a reformist agenda can bring us out of this Catch-22 situation. Without courage and vision, the EU may be doomed to become an 'economic giant and political pygmy' again. Is that the status we wish as we face the challenges from the so-called emerging markets and in an era when a new balance of (economic) power is also emerging after 2008?*

### Introduction

The European Union, officially established in 1992 by the Treaty of Maastricht as a consequence of the process of integration, has since come to

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embody this process. However, the EU has always posed a problem for researchers and analysts. It is generally agreed that it is a new type of entity in the international arena, but both its character and role in the world are subject to diverse interpretations and disputes. It constitutes a serious interpretative problem for both theoreticians and practitioners.<sup>1</sup>

Since the emergence of this **organism** or entity, which is obviously not a state nor a classic-type international organisation, it has generally been assumed that the EU is nothing more than an attempt, the first in human history, to establish a **supranational subject** of international relations and international law. However, it is precisely because of the pioneering character of the undertaking that there has never been a consensus in this regard, nor any single commonly accepted concept of how to achieve it. As a result the EU, existing in the practical dimension and eluding a precise definition, has been a huge experiment conducted in the global arena – and, it remains so today. In the early stages of the EU's functioning it was claimed that '*(t)he Union is in the process of forming its status*'.<sup>2</sup> Today this thesis has not lost any of its relevance. The EU is still an uncompleted project. On the one hand, this constitutes its charm, but on the other hand it often poses problems and difficulties – and not only in terms of interpretation.

## 1. The EU as a new entity in the international arena

Due to its special character, the EU can be defined in many ways. Some people understand it as a collection of states sharing the same values, others see it as an attempt to federalise Europe, and yet others consider it only a useful tool for economic cooperation and trade exchange, but are not ready even to hear about full political or military integration. The best proof for the existence of such various scruples or concerns was the initial establishment and maintenance of the second pillar of the EU, namely the Common Foreign and Security Policy (CFSP) within the sphere of predominant influence of the European Council, i.e. maintaining it on the intergovernmental level. Later, and particularly in recent years, this trend manifested itself in the growing opposition of many political groups and factions – mainly rightist, but nationalist as well – to attempts to further deepen integration and create a real Community with supranational policies.

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<sup>1</sup> For more see: *Unia Europejska. Nowy typ wspólnoty międzynarodowej (The EU. A New Type of International Community)*, eds. E. Halizak, S. Parzymies, Institute of International Relations, University of Warsaw, Warszawa 2002.

<sup>2</sup> *Ibidem*, p. 26.

In theoretical terms, as noted by Michel Burgess, a well-known researcher of integration processes and the notion of federation in Europe, the EU is an ‘intellectual puzzle’.<sup>3</sup> In more practical terms, a good and also amusing definition was formulated by the former President of the European Commission (1985–1995), Jacques Delors, who called the EU ‘a politically unidentified object’.<sup>4</sup> According to the Decision of the German Federal Constitutional Court of 12 October 1993, which was very widely quoted at that time, the EU is a compound or a community of states organised on a supranational basis, but it is **not a state based on the people of one European nation**.<sup>5</sup> And it is precisely the issue of unity and common values which has gradually come to the fore of the unresolved disputes and nearly insurmountable barriers, as we are not dealing with a single common European nation, but with many nations with rich traditions and histories, and with progressing integration.

What seems to remain undisputable, however, is that **the EU is nothing more than a process**, that is an entity which is constantly undergoing changes and transformations. In other words, it is **an entity *in statu nascendi*, one which is still in the process of formation**, still not completely developed, and still far from achieving its final shape. And, as former two-time Polish Minister of Foreign Affairs, Władysław Bartoszewski, noted in July 2000, perhaps the EU shall never reach its final shape and striving for it is like searching for the philosophers’ stone or trying to catch the horizon.<sup>6</sup>

This view seems justified to a certain extent, but the promoters of the European integration process have for a long time left no doubt that the ultimate culmination of this process should be **some form of federation**, although what form has so far not been precisely defined. The most commonly followed concept, albeit not entirely consistently, was that developed by the neo-functional school of international relations (Ernst B. Haas, Leon Lindberg, David Mitrany), which already in the 1960s and 1970s described, in quite precise detail, an integration project divided into stages and consisting of progression from one level of integration to another,

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<sup>3</sup> M. Burgess, *Federalism and European Union: The Building of Europe, 1950–2000*, Routledge, New York-London 2001, p. 254.

<sup>4</sup> Cf. D. Milczarek, *Pozycja i rola Unii Europejskiej w stosunkach międzynarodowych. Wybrane aspekty teoretyczne (Position and Role of the EU in International Relations. Selected Theoretical Aspects)*, Centre for Europe, University of Warsaw, Warszawa 2003, p. 8.

<sup>5</sup> J. Symonides, *Unia Europejska – Państwo – Region, nowe pojmowanie subsydiarności i suwerenności (EU – State – Region. A New Perception of Subsidiarity and Sovereignty)* in: E. Haliżak, S. Parzymies, *Unia...*, op.cit., p. 45.

<sup>6</sup> After: E. Haliżak, S. Parzymies, *Unia...*, op.cit., p. 116.

starting with a free trade area, through to a customs union, common market, monetary union, economic and monetary union, and finally political union, i.e. federation.<sup>7</sup>

Moreover, these stages and tendencies were often associated with political and economic neo-liberalism, predominant in the Western political arena since the 1980s, with its commonly recognised political authors being the US President of that time, Ronald Reagan, and the then Prime Minister of the United Kingdom, Margaret Thatcher. This association acquired considerable political significance in 2007/2008, as many scholars and the majority of the public opinion associate the outbreak of the huge economic crisis of that time, which started first in the American market and subsequently spread to all Western markets, including Europe, with the fall of neo-liberalism, which promoted privatisation, liberalisation and absolute dominance of the market.<sup>8</sup>

This resulted in the emergence of a dangerous (as we know today) *iunctim* of sorts between neo-liberalism and federalism, which has been becoming increasingly visible since 2008, as has the lack of common values and national roots. The citizens of Europe lacked a deeper sense of Europeanness with which they could identify, and this coincided with an ideological project which initially aroused a great deal of controversy<sup>9</sup> and subsequently brought about results that differed significantly from what was expected. Of course, the most fervent proponents of the neo-liberal project after the fall of the Cold War order were the Americans, at that time the world's only superpower. The fact that this approach was wrong – for the USA and for the entire West – was pointed out many years before the financial crisis by the financier and

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<sup>7</sup> For an exhaustive analysis of this project see: S. Konopacki, *Neofunkcjonalistyczna teoria integracji politycznej Ernsta Haasa i Leona Lindberga (Neo-functional Theory of Political Integration by Ernest Haas and Leon Lindberg)*, "Studia Europejskie" No. 2 and 3/1998. Also see: T. Gehring, *Integrating Integration Theory: Neo-functionalism and International Regimes*, "Global Society" Vol. 10(3)/1996.

<sup>8</sup> For possibly the most extreme criticism of neo-liberalism, see: N. Klein, *The Shock Doctrine*, New York 2008. In the author's opinion, her book constitutes an attempt to undermine the key thesis underlying the official version of the history of the last three decades, pursuant to which the triumph of the neo-liberal version of capitalism is the fruit borne by freedom and the market, unhampered by anything and hand-in-hand with democracy. In the book, the author attempts to prove that this theory was the exact opposite what really happened (Polish edition, *Doktryna szoku*, Warszawa 2008, pp. 29, 30).

<sup>9</sup> A highly critical approach to neo-liberalism – this time from the left and not the more common national or nationalist angle – can be found in the analysis of the Polish post-communist economic transformation: T. Kowalik, *www.Polska Transformacja.pl*, Warszawskie Wydawnictwo Literackie MUZA, Warszawa 2009. The author believes that the 'Balcerowicz Plan', neo-liberal in spirit, caused a sudden decrease in production and drastic social consequences: 'increase of overt unemployment, decrease of real wages, increase of the poverty level, and a shocking disparity of income', p. 57.

stock market investor George Soros.<sup>10</sup> Americans started believing that the country was all-powerful, but it turned out to be economically and financially undermined. In a sense, the same was also true of the EU, as the neo-liberal course increased market stratification, both within states and among them, and contributed to the establishment of a huge virtual financial bubble which largely took the financial markets (and funds!) out from under any controls, including the control of governments at the state level.

As a concept and ideology, neo-liberalism was first attacked by economists, including the esteemed Nobel Prize winners in economics, Joseph Stiglitz and Paul Krugman. These two scholars maintained that, after 1990, we were dealing with market fundamentalism imposed by the USA and the institutions of the Bretton Woods system (the IMF and the World Bank). Already in the early years of the 21<sup>st</sup> century, i.e. several years *before* the actual crisis, Stiglitz noted disturbing symptoms of this trend and wrote quite frankly about '*the triumph and defeat of the Washington Consensus*'.<sup>11</sup> Krugman, in turn, immediately after the outbreak of the crisis became very active in writing about the demise of the Washington Consensus, which proves that he entertained no doubts about the fact that the outbreak of the crisis was connected with the collapse of neo-liberal trends in global markets.<sup>12</sup> A measured criticism of this trend, but one very well justified and armed with serious economic arguments, was then presented by Dani Rodrik, an earlier proponent of neo-liberalism and a respectable economist from Harvard University. Citing P. Krugman, he claimed that under the course of events in effect and prevailing after the Cold War, we were dealing with the dominance of '*stateless elites whose allegiance is to global economic success and their own*

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<sup>10</sup> In his book *The Bubble of American Supremacy, Correcting the Misuse of American Power*, Public Affairs, New York 2004. In the author's opinion, America fell into a trap set by itself, p. 181.

<sup>11</sup> J. Stiglitz, *The Roaring Nineties. Seeds of Destruction*, Allen Lane-Penguin, New York-London 2003, pp. 228, 229. The Washington Consensus, of which the commonly recognised father is John Williamson, is a collection of neo-liberal formulas and rules, such as: financial liberalisation, privatisation, promotion of trade and direct foreign investments. For more see: E. Haliżak, *Ideowe podstawy globalnego ładu liberalnego w gospodarce światowej – rola i znaczenie Washington Consensus (Ideological Basis of the Global Liberal Order in World Economy – the Role and Importance of the Washington Consensus)* in: *Globalizacja a stosunki międzynarodowe (Globalisation and International Relations)*, eds. E. Haliżak, R. Kuźniar, J. Symonides Oficyna Wydawnicza Branta, Bydgoszcz-Warszawa 2004, p. 23. Years later, even Williamson self-critically admitted that he would change a few things; that he would write about the need for supervision and regulation of the financial markets; foreign investments are good, but speculative capital has caused serious problems for several countries, see: *Spowiedź liberala (A Liberal's Confession)*, "Gazeta Wyborcza", 8-9.05.2010.

<sup>12</sup> Paul Krugman and the Washington Consensus, "Opinion Sur" No. 63/November 2008, available at: <http://opinionsur.org.ar/Paul-Krugman-and-the-Washington> (last visited 25.08.2013).

*prosperity rather than the interests of the nation where they are headquartered*.<sup>13</sup>

It is symbolic that Francis Fukuyama turned into a harsh critic of this trend, even though he was previously considered one of its most important intellectual proponents and creators. He has come a long way, intellectually, from his earlier belief, propagated during the period of the collapse of the Cold War order and set out in ‘The End of History’<sup>14</sup> (understood, in the Hegelian sense, as the lack of an alternative to liberal democracy and capitalism after the fall of communism), to his present concept of ‘The Future of History’. While in his first paper he was an uncritical proponent and promoter of neo-liberalism and of American power and domination, in the latter, published in early 2012 in the esteemed journal *Foreign Affairs*, he wrote bluntly, contradicting his own words penned years before, that ‘*the middle classes of the developed world remain enthralled by the narrative of the past generation: that their interests will be best served by ever-freer markets and smaller states. The alternative narrative is out there, waiting to be born.*’<sup>15</sup>

Fukuyama carefully analyses only the situation of the middle class in the countries of the West, and draws far-reaching conclusions from this. Robert Kagan, another guru of American intellectual life, who knows Europe well, goes even further than Fukuyama in his analysis of the ideological and mental transformation taking place and claims, in his essay with the telling title *The Return of History and the End of Dreams*, that after the end of the ‘unipolar moment’<sup>16</sup> and the USA’s complete domination in the global arena – especially economic, but political as well – ‘*international competition among great powers has returned, with Russia, China, Europe, Japan, India, Iran, the United States, and others vying for regional predominance*’.<sup>17</sup>

In other words, the collapse of the neoliberal dogma and the resulting undermining of the superpower role of the USA and the entire West has

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<sup>13</sup> D. Rodrik, *The Globalization Paradox. Democracy and the Future of World Economy*, W.W. Norton & Co., New York–London 2011, p. 86.

<sup>14</sup> F. Fukuyama, *The End of History?*, “The National Interest” Summer 1989. Following in the footsteps of Seymour Martin Lipset, he argued, for instance, that there was a close positive relationship between a stable (sic!) democracy and economic development, p. 165. In the light of the 2008 crisis, however, and the unprecedented economic successes of the illiberal and non-democratic China and the other ‘emerging markets’, this thesis is more and more often undermined.

<sup>15</sup> F. Fukuyama, *The Future of History. Can Liberal Democracy Survive the Decline of the Middle Class?*, “Foreign Affairs” No. 91(1)/Jan–Feb 2012.

<sup>16</sup> ‘*Unipolar moment*’ – a term coined by the well-known American columnist Charles Krauthammer right after the collapse of the Cold War order.

<sup>17</sup> R. Kagan, *The Return of History and the End of Dreams*, Vintage Books, New York 2009, p. 1.



naturally led, on one hand, to real changes in the global arena and the shaping of a new global order (at least in economic terms),<sup>18</sup> and on the other hand, even more importantly for us here, to the redefinition of policy, and not only economic policy, within the EU. Even though the EU was not such a fervent promoter of the Washington Consensus or the institutions of the Bretton Woods system as the USA, it nevertheless largely yielded to this trend and even after 2008 – as German scholars have proven – was very reluctant to abandon it, especially in the context of its approach to the new Member States from East and Central Europe.<sup>19</sup>

## 2. The 2008 crisis and the new international role of the EU

The 2008 crisis has fully revealed the structural weaknesses of the EU project. Some voices claimed that EU leaders had fallen victim to the illusion of it being a superpower.<sup>20</sup> First of all, it turned out that the introduction of the common currency, the euro, was largely a political decision, not one based on a thorough economic analysis, and that it was premature and rash. Disregarding the warnings of critics, the EU leaders introduced a mechanism under which the monetary policy was to be conducted at the community level, while the fiscal and budgetary policies were based on an intergovernmental mechanism.

Indeed the Treaty of Lisbon, which entered into force on 1 December 2009 and was a ‘revised version’ of the earlier Constitutional Treaty drafted by the special European Convention chaired by former French President Valéry Giscard d’Estaing, abolished the three-pillar structure introduced by the Treaty of Maastricht and finally made the EU a legal entity, turning it into a discrete actor in international relations.<sup>21</sup> But at almost the same time, the financial crisis and severe internal difficulties (the crisis in the euro area, the crisis in the

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<sup>18</sup> B. Góralczyk, *The Search for a New Global Order*, “Yearbook of Polish European Studies” Vol. 14/2011.

<sup>19</sup> S. Lüty, M. Kranke, *The European Rescue of the Washington Consensus? EU and IMF Lending to Central European Countries*, LSE ‘Europe in Question’ Discussion Paper Series No. 22/2010; available at: <http://www.lse.ac.uk/europeaninstitute/leqs/leqspaper22.pdf> (last visited 26.08.2013).

<sup>20</sup> E. Halizak, *Kryzys gospodarczy a międzynarodowa pozycja Unii Europejskiej (The Economic Crisis and the International Role of the European Union)* in: *Kryzys 2008 a pozycja międzynarodowa Zachodu (The 2008 Crisis and the International Position of the West)*, ed. R. Kuźniar, Wydawnictwo Naukowe SCHOLAR, Warszawa 2011, pp. 111 and 130.

<sup>21</sup> R. Zięba, *Polityka zagraniczna Unii Europejskiej (European Union’s Foreign Policy)* in: *Polityka zagraniczna. Aktorzy-potencjały-strategie (Foreign Policy. Actors–Potentials–Strategies)*, ed. T. Łoś-Nowak, Wydawnictwo Poltext, Warszawa 2011, p. 216.

Mediterranean states) hampered the improvement of the EU's capability for international action. Just as before the crisis, the EU is now facing the need to make a strategic, historical choice concerning the strengthening of the European integration process's international aspect.<sup>22</sup> As a result of the crisis this task is more difficult to accomplish, since new divisions and challenges have emerged (e.g. the 'three Europes' discussed below, or the controversies surrounding the future role of Germany in the integration process), while at the same time it is even more urgent if the EU project is to be maintained and remain effective and beneficial to all its participants, as well as to the world.

The late Józef Kukulka, an eminent researcher and theoretician of international relations, identified three potential roles of the EU in the international arena. He believed that the EU could play the role of a traditional superpower with a regional scope of activity, the role of a stabilising element in its neighbourhood as an actor with supra-regional influence, and finally, act as a source of global influence which would be able to successfully affect the principles, traits and evolution of the international order.<sup>23</sup>

These theses were put forward in the early stages of the existence and functioning of the EU. As we can see, they clearly contained a large dose of optimism regarding the new organism, to which Poland, and especially its elites, as well as its Eastern neighbours aspired with such faith and hope. Another researcher and theoretician of the EU, Dariusz Milczarek, who carried out a thorough analysis and vivisection of this organism not long after J. Kukulka, was much more restrained – or rather 'realistic' – in his optimism concerning the process of integration. He noted the geographic, economic, military, and social assets (but not yet the political ones!) of the EU and, using the theory of international roles, saw a chance for the EU to play the 'role of an actor' or even a 'global actor', while retaining the status of 'non-military power'. Overall he remained optimistic as well, writing that the European Union was in a very good situation to attain the status of a leading power in the world in the future.<sup>24</sup>

This view was set forth in a book published in 2003. It is, therefore, a telling fact that in another book published ten years later, dedicated entirely to global politics and authored by Zbigniew Brzeziński, one of the foremost

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<sup>22</sup> *Europeistyka w zarysie (An Outline of European Studies)*, eds. A.Z. Nowak, D. Milczarek, Państwowe Wydawnictwo Ekonomiczne, Warszawa 2006, p. 373.

<sup>23</sup> J. Kukulka, *Międzynarodowa tożsamość Europy (Europe's International Identity)* in: E. Haliżak, S. Parzymies, *Unia...*, op.cit., p. 41.

<sup>24</sup> D. Milczarek, *Pozycja i rola...*, op.cit., p. 359. In another of his works, the author expands these roles by adding the scientific and technical potential, and links the geographic with the demographic potential, see: D. Milczarek, *Unia Europejska we współczesnym świecie (European Union in the Modern World)*, Centre for Europe, University of Warsaw, Warszawa 2005, pp. 29–70.



experts in global issues and geopolitical strategy, the EU features only as complementary to the USA in the formation referred to as the West, while the important actors are only the USA, China and Russia (in this exact order). In Brzeziński's opinion, '*the European Union could compete to be the world's number two power, but this would require a more robust political union, with a common foreign policy and a shared defence capability.*' However, since nothing of that sort is taking place, '*as a consequence, Europe as such is not a major independent power on the global scene.*'<sup>25</sup>

Of course, open-minded European politicians have been aware for a long time of the 'common foreign policy deficit' and the accompanying military weakness of the union. Improving cohesion in these two areas was one of the main tasks of the European Convention, whose task was to draft a common Constitution for Europe, as confirmed by its chairman, Valéry Giscard d'Estaing.<sup>26</sup> They have also long been aware that a necessary condition for the EU, if it wishes to achieve the status of a full-fledged global power, is for it to have an adequate autonomous military potential.<sup>27</sup>

Unfortunately, the Common Security and Defence Policy of the European Union, established at the European Council Helsinki summit in December 1999 with the main objective of improving the common defence and military capabilities of the group, has not brought about the expected results. In the opinion of a Polish expert, expressed near the end of 2012, it is a virtual structure, one of no significance for the security of the Republic of Poland, and its adoption and implementation was principally a propaganda move.<sup>28</sup>

Nor did the expected breakthrough occur at the actual inauguration of the process of European integration in the military field, namely the Franco-British summit in Saint Malo of 3–4 December 1998. While it's true a rapid reaction force was established,<sup>29</sup> most observers agreed that this has not brought about any breakthrough in terms of improving the defence capability of the continent.

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<sup>25</sup> Z. Brzeziński, *Strategic Vision: America and the Crisis of Global Power*, Basic Books, New York 2012, p. 22.

<sup>26</sup> V. Giscard d'Estaing, *Nowa Unia na półmetku (Half-Way Point of the New EU)*, "Gazeta Wyborcza", 23.01.2003.

<sup>27</sup> D. Milczarek, *Unia Europejska...*, op.cit., p. 144.

<sup>28</sup> P. Żurawski vel Grajewski, *Wpływ kryzysu w strefie euro na Wspólną Politykę Zagraniczną oraz Wspólną Politykę Bezpieczeństwa i Obrony Unii Europejskiej (The Impact of the Eurozone Crisis on Common Foreign and Security Policy and Common Security and Defence Policy of the European Union)*, "Analizy natolińskie" No. 5(57)/2012, p. 53.

<sup>29</sup> Approximately 50–60 thousand strong. Additionally, a police corps of 5 thousand was established as well; for more see: R. Zięba, *Europejska Tożsamość Bezpieczeństwa i Obrony (European Security and Defence Identity)*, Wydawnictwo Naukowe SCHOLAR, Warszawa 2000, pp. 140–141.

Z. Brzeziński is far from the only researcher who points out the relative decrease in the EU's importance in the international arena following the 2008 crisis. In their latest works, other eminent strategists as well as experts and researchers of international affairs, such as Edward N. Luttwak<sup>30</sup> or Fareed Zakaria,<sup>31</sup> ascribe an equally insignificant role to the EU. Similar opinions can be found among Polish researchers as well. For example, Roman Kuźniar refers to a '*culture of decadence and rapacity*' dominant in the period of 1990–2008, and at the same time he offers data that clearly shows a relative decrease in the importance of the West, that is primarily of the USA and the EU. He points to the fact that in 1913, the share of the West in the total population of the world was 33 per cent, in 2003 – 17 per cent, and in 2050 it will be approximately 12 per cent, which is much less than it was circa 1700. Also, in 1950 the share of the West in the global product was 68 per cent, in 2003 – 47 per cent, and in 2050 it will fall below 30 per cent, which will be less than in 1820.<sup>32</sup>

One can dispute the precise numbers used in these forecasts, but the tendency seems obvious: in demographic, economic, and consequently also political terms, the international position of the West – including the unfinished and not fully formed EU – is being weakened and undermined.

### 3. The EU – a multidimensional crisis

#### 3.1. Crisis of leadership (vision)

*'I always thought that Europe would make itself in crisis and that it would be the sum of the solutions to these crises,'* said Jean Monnet,<sup>33</sup> one of the founding fathers of the process of European integration. Indeed, a thorough analysis of the history of European integration clearly shows that the integration process accelerated when it encountered difficulties, and that real breakthroughs occurred when it was faced with the most formidable barriers. Thus,

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<sup>30</sup> His strategic vision aimed at countering the rapidly increasing role of China includes tasks given to Norway and not the EU! E.N. Luttwak, *The Rise of China vs. The Logic of Strategy*, The Belknap Press of Harvard University Press, Cambridge–Massachusetts, London 2012.

<sup>31</sup> In his analysis of the global policy after the 2008 crisis, he pays a lot of attention to China, India and Russia, i.e. the 'emerging markets', but there is little about the EU and its role, just as is the case with Luttwak. See: F. Zakaria, *The Post-American World*, W.W. Norton & Company, New York 2009.

<sup>32</sup> R. Kuźniar, *Zmierzch dominacji Zachodu (Twilight of the Western Domination)* in: ed. R. Kuźniar, *Kryzys 2008...*, op.cit., pp. 32 and 36.

<sup>33</sup> *Europe after the crisis*, address by José Maria Gil-Robles at a seminar in Washington DC on 30.04.2013., available at: <http://www.jean-monnet.ch/userfiles/file/Pendants-ce-temps-2013/13-04-EUROPE-AFTER-THE-CRISIS-Washington%281%29.pdf>

its history is that of encountering and overcoming ever new crises, difficulties and barriers, all of which seemed insurmountable.<sup>34</sup> However, the vast array of difficulties and problems that the leaders of the EU faced after 2008 proved too much for them to turn them into a successful breakthrough. In consequence of the crisis, this time the EU has had to face multidimensional challenges of a highly diverse nature, which have to be properly identified, analysed and diagnosed. In this sense, we are dealing with an entirely new situation compared with the previous ones, because European integration has never before faced so many serious challenges at one and the same time.

What now comes to the foreground in all the debates concerning the future of the EU is the issue of leadership, and especially the future role of Germany in the European project. In this context, G. Soros brings matters to a head when he writes: '*In my judgment the best course of action is to persuade Germany to choose between becoming a more benevolent hegemon, or leading nation, or leaving the euro. In other words, Germany must lead or leave*'.<sup>35</sup>

Obviously, the views on this issue are very diverse, often even disparate or conflicting, both in Germany and in Europe. The divergent attitudes, and sometimes emotions as well, are particularly pronounced in the context of the crisis in the euro area (more on this below), during which Germany has been consistently sticking to a policy of caution, economising, and belt-tightening, and not the 'Keynesianism' that many experts recommend. That would involve stimulating the markets, improving the overall economic situation, and printing more money.<sup>36</sup> On one hand, analysts believe that with no clear further leadership from Germany, the future of the EU project could be in danger. However, the threat is not the result of German power, as it used to be at some points in the past, but of German idleness and poor decision-making. This message was included in a speech delivered in Berlin by Radosław Sikorski, Polish Minister of Foreign Affairs,<sup>37</sup> which stirred up a lot of interest and is often cited in the German public discourse.<sup>38</sup> On the other hand, however, there are also frequent voices which undermine Germany's role, or at least request that it change its behaviour. In the opinion of Piotr Buras, a well-known expert in German affairs, in order to overcome the crisis the

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<sup>34</sup> K. Łastawski, *Historia integracji europejskiej (The History of European Integration)*, Wydawnictwo Adam Marszałek, Toruń 2008.

<sup>35</sup> G. Soros, *The Tragedy of the European Union and How to Resolve It*, "New York Review of Books" Vol. 59(14), 27.09.2012.

<sup>36</sup> P. Davidson, *The Keynes Solution. The Path to Global Economic Prosperity*, Palgrave Macmillan, New York 2009.

<sup>37</sup> R. Sikorski, *Polska a przyszłość Unii Europejskiej (Poland and the Future of the European Union)*, Berlin, 28.11.2011, "Gazeta Wyborcza", 29.11.2011.

<sup>38</sup> G. Hofmann, *Niemiecka Europa (The German Europe)*, "Przegląd Polityczny" No. 111/2012, p. 25.

EU needs more than just tightening the belt like Germany; what is good for Germany is no longer good for Europe.<sup>39</sup> In other words, increasingly often national interests are inconsistent with European interests, a fact which does not bode well for the future.

The problem becomes even more pronounced given the fact that as the crisis situation developed it became ever more obvious that Germany was best at dealing with it and, what's more, this was due to them following their own particular and national interests, even as others were struggling with mounting difficulties. As Timothy Garton Ash, a well-known expert and essay writer, noted when referring to the opinions of economists: '*In 2011 Germany's \$200 billion trade surplus roughly equalled the rest of the eurozone's combined trade deficit. Germany was to Europe what China is to the world: the exporter that requires others to consume (...) So when Germany bailed out the peripheral eurozone countries, it was also bailing out its own banks*'.<sup>40</sup>

Another unfavourable fact for the future of the European project is that, after François Hollande became President of France, the cooperation between Berlin and Paris broke down, perhaps for the first time in such a spectacular manner since establishment of this axis in the early 1960s. And it was this very cooperation that was so well received in the initial stages of the crisis. The media even coined the term 'Merkozy' for it, referring to the observation that the decisions essential for the future of Europe and the EU itself were made by Angela Merkel and Nicolas Sarkozy.

In this context, it is worth noting the observation of Jerzy Łukaszewski, a former diplomat and eminent expert in the issue at hand, who wrote that in France the economic power of Germany, together with the fact that it effectively became the 'senior partner' in the relations between Paris and Berlin, evoked reactions of humiliation, envy and disapproval in France, escalated by the memory of the wars with Germany and the crimes of the Nazis.<sup>41</sup>

Consequently, it comes as no surprise that French intellectuals and even economists, such as Jacques Sapir, quoting surveys conducted among the French people to support their views, more and more often call for the dissolution of the euro area,<sup>42</sup> or like Emmanuel Todd openly admit that the former

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<sup>39</sup> P. Buras, *Koniec niemieckiej Europy (The End of the German Europe)*, "Gazeta Wyborcza", 16–17.06.2012.

<sup>40</sup> T. Garton Ash, *The Crisis of Europe. How the Union Came Together and Why It's Falling Apart*, "Foreign Affairs" Vol. 91(5)/September/October 2012.

<sup>41</sup> J. Łukaszewski, *Europa. Francja–Niemcy (Europe. France–Germany)*, "Przegląd Polityczny" No. 114/115 2012, p. 31.

<sup>42</sup> J. Sapir, *Dissolving the Eurozone*, "Aspen Review-Central Europe", Fall 2012, pp. 79–81, available at: [http://www.aspeninstitute.cz/images\\_upload/files/Aspen%20Review/AR%201\\_2012\\_J.Sapir\\_Dissolving\\_the\\_eurozone.pdf](http://www.aspeninstitute.cz/images_upload/files/Aspen%20Review/AR%201_2012_J.Sapir_Dissolving_the_eurozone.pdf) (last visited 30.08.2013).

EU, the embodiment of equality between nations, is no more. We are witnessing an absolute domination by Germany, and in this context France is left with nothing but to leave the EU.<sup>43</sup>

This is what is happening in the public and intellectual discourse in France, and similar opinions are arising all over the continent, from Greece and Spain to Poland, the Czech Republic, Hungary, and even Finland. This is an entirely new quality in comparison to the previous period. In this context, it is worth referring to the opinion of R. Kuźniar about the ‘Sarmatisation’ of Polish politics that we witnessed between 2005 and 2007. In the scholar’s opinion, it was a policy of national orotundity, megalomania, pursuing the vision of a ‘proud nation’ which deserves more than others, empty gestures, emphasising Polish exceptionality, stressing warlike attitudes, taking too much for granted, accompanied by the inability to engage in a dialogue and work out a compromise.<sup>44</sup>

The truth is that after 2008, similar tendencies and phenomena, meaning widespread references to national traditions, stressing one nation’s differences from the others, and the desire to protect national sovereignty, could already be seen in virtually all the EU Member States, although to a different extent. The economic crisis brought about a clear wave of renationalisation, which is a tendency contrary to the integration effort undertaken so far.

### 3.2. The economic crisis

The economic crisis is the one most talked about. In a way, this is a justified approach, but even in this context we must not forget that vision and strong leadership are necessary to overcome this very deep crisis.

When discussing the European economic difficulties after 2008, we should bear in mind two overlapping, but nonetheless separate, phenomena. The first is the crisis of the euro area and the euro as a common currency (it was introduced on 1 January 1999). The second phenomena is the huge problems with budgets, debt, and even the solvency of many Member States, jointly referred to by the slightly derogatory term PIIGS (Portugal, Ireland, Italy, Greece, Spain), referring to those countries which used to exhibit a rather carefree and cavalier attitude to the Maastricht economic criteria,<sup>45</sup>

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<sup>43</sup> E. Todd interviewed by M. Nowicki, *The Germans No Longer Take America Into Account*, “Aspen Review-Central Europe”, Autumn 2012, pp. 22–25.

<sup>44</sup> R. Kuźniar, *My, Europa (Us, Europe)*, Wydawnictwo Naukowe SCHOLAR, Warszawa 2013, p. 194.

<sup>45</sup> Also called the nominal convergence criteria. They include: stability of prices (low inflation), interest rates and exchange rates (Article 140), and procedures for reducing excessive deficits (Article 126). For more see: *Convergence criteria*, <http://www.ecb.europa.eu/ecb/orga/escb/html/convergence-criteria.en.html> (last visited 27.08.2013).

spending more that they could afford and not economising much. The countries in question are mainly those of the Mediterranean basin, and the most extreme case is Greece.<sup>46</sup>

The monetary union can function properly only when conditions for the existence of an optimum currency area are met. Such conditions were defined as early as in 1961, and were later repeated in 1998, shortly before the euro became a common currency, by the Nobel Prize winner Robert Mundell. In his opinion, in order to establish an optimum currency area, individual states should have: 1) high labour mobility between them; 2) flexibility of wages, i.e. the possibility to lower them; 3) intensive trade between them; and 4) a similar level of natural resources. And they should symmetrically react to positive and negative shocks from outside the Union.<sup>47</sup>

It turned out that not all of these criteria were sufficiently fulfilled and, even worse, the EU mechanism of separating monetary policy from fiscal policy – keeping the former at the community, supranational level and the latter at the national or state level – proved inefficient. Furthermore, if Mundell's criteria had been applied consistently and restrictively, many countries – including some as large and important as Italy or Spain – would not have been able to join the euro area. And accepting Greece into the euro area was 'fundamentally wrong', as German Chancellor Angela Merkel recently admitted.<sup>48</sup> These decisions were all the more wrong as the said countries had considerable difficulty meeting the Maastricht criteria and in fact were violating them, as their deficits far exceeded the admissible threshold. Even worse, over time this phenomenon turned almost into a plague, or at least a serious disease.

According to Eurostat, with respect to one of the two most important convergence criteria, the budget deficit (no greater than 3 per cent of the GDP), only six Member States met it in 2012: Germany (+0.2), Estonia (-0.3), Sweden (-0.5), Bulgaria and Luxembourg (-0.8 each), and Latvia (-1.2). Furthermore, many countries exceeded the admissible threshold by several times, for instance: Spain (-10.6), Greece (-10.0), Ireland (-7.6), Portugal (-6.4), Cyprus and the UK (-6.3). While all in all the budget deficit in the euro area as a whole fell from -6.4 per cent in 2009 to -3.7 per cent in 2012, it still

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<sup>46</sup> Even a webpage on this topic, and a good one at that, has been established: <http://www.greekcrisis.net>

<sup>47</sup> Cf. R. Mundell, *A Theory of Optimum Currency Areas*, "American Economic Review" No. 51/1961, pp. 509–517; R. Mundell, *The Euro as a Stabilizer in the International Monetary System*, European Conference Centre, Luxembourg, December 1998.

<sup>48</sup> *Merkel blames former chancellor for letting Greece join the euro in 2001 and admits that is when the financial rot set in*, "Mail Online", 28.08.2013, available at: <http://www.dailymail.co.uk/news/article-2404089/Angela-Merkel-blames-chancellor-Gerhard-Schroder-letting-Greece-join-euro.html> (last visited 30.08.2013).



exceeded the threshold, and while in the entire EU it fell as well (from -6.9 to -4 in the same period), it is still greater anyhow.

The situation is not much better as regards the second most important criterion – public debt (no greater than 60 per cent of GDP). In this case, the admissible – and safe – threshold was much exceeded as well. In 2012, the criterion was met only by Bulgaria, Luxembourg, Romania, Sweden, and the three Baltic countries, while most Member States, including the largest ones, exceeded the limit (given in per cent): Greece (156.9), Italy (127), Portugal (123.6), Ireland (117.6), Belgium (99.6), France (90.2), the UK (90.0), Cyprus (85.8), Spain (84.2), and even Germany (81.9). Unfortunately, the index is constantly increasing both in the euro area (from 80.0 to 90.6 per cent in 2009–2012) and in the entire EU (from 74.6 to 85.3 per cent in the same period).<sup>49</sup>

As a result, even the European Central Bank (ECB) wrote in its annual report that the consequence of these two phenomena was a progressing deterioration of market conditions, although at the same time it said that ‘*in this challenging environment, the international role of the euro remained relatively resilient*’.<sup>50</sup> It remains subject to dispute, of course, whether this assessment will remain accurate in light of the present processes and phenomena, as well as the available data. For example, G. Soros, who dedicated a special volume to the crisis in the euro area, is both critical and pessimistic. He writes: ‘*Even if a catastrophe can be avoided, one thing is certain: the pressure to reduce deficits will push the Eurozone into prolonged recession. This will have incalculable political consequences. The euro crisis could endanger the political cohesion of the European Union*’.<sup>51</sup> Soros is right. This is not just about strictly economic actions. It is about the future and the unity of the EU as a whole.

Pressed by events and economic necessities, the EU launched several undertakings aimed at improving or solving its own economic problems. In September 2011, the European Parliament endorsed the so called **Sixpack**, that is six documents (two directives, two new regulations and two regulations amending past regulations) which are aimed at making it possible to force the Member States to keep their public finances in line, and even to punish those which exceed the admissible thresholds.<sup>52</sup> Unfortunately, as

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<sup>49</sup> All data taken from Eurostat: [http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/2-22042013-AP/EN/2-22042013-AP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-22042013-AP/EN/2-22042013-AP-EN.PDF) (last visited 27.08.2013).

<sup>50</sup> *The international role of the euro*, European Central Bank, Frankfurt, July 2012, p. 9.

<sup>51</sup> G. Soros, *Financial Turmoil in Europe and the United States*, Public Affairs, New York 2012, p. 130.

<sup>52</sup> *Parlament Europejski przyjął tzw. sześciopak (The European Parliament has adopted the so-called Six-Pack)*, “Gazeta Wyborcza”, 28.09.2011.

shown by the Eurostat data cited above, so far this has not brought about the expected results.

Another remedy to address this issue was the **Treaty on Stability, Coordination and Governance in the Economic and Monetary Union**, commonly referred to as the ‘**fiscal compact**’.<sup>53</sup> It was signed on 2 March 2012 and is essentially an extension of the Sixpack. It broadens the possibilities for intervention by two institutions – the Council and the European Commission – in the process of developing national budgets. The treaty provides for the future establishment of the European Stability Mechanism (ESM), involving the need for regular consultations in the process of setting up national budgets. Even though it is not yet a member of the euro area, Poland has joined the treaty, although not without some internal controversy (objection being voiced openly by the opposition party Prawo i Sprawiedliwość i.e. Law and Justice). The Polish President ratified it with his signature on 24 July 2013.<sup>54</sup> However, it is important to note that two Member States, namely the Czech Republic and the United Kingdom, have not agreed to this solution, thus practically undermining the EU’s coherence, just as G. Soros predicted.

As the fiscal compact provides for automatic sanctions for breaking budgetary discipline, the Polish opponents of this approach – who were not at all an isolated case in the European arena – filed a complaint with the Polish Constitutional Tribunal. With this action, the economic and political dispute turned into a legal debate.

Even more controversy, as well as political emotion, is aroused by another integration-related proposal, the **banking union** project promoted by the European institutions. Executing the guidelines of the European Council of June 2012, on 12 September 2012 the European Commission presented a draft regulation transferring the supervision over banks in the euro area from the national level to the ECB level. According to the interpretation published on the website of the Polish Ministry of Foreign Affairs, uniform supervision is the first of the three pillars of the future banking union (the others being a common system of deposit guarantees and a common mechanism of restructuring and/or ordered liquidation of banks). The Ministry points out that under it, national supervisory bodies will continue to play an important role in current supervision as well as preparation and implementation of the ECB’s decisions. The competences granted to the ECB include: issuance and withdrawal of permits for conducting banking activity,

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<sup>53</sup> Full text in English: [http://european-council.europa.eu/media/639235/st00tscg26\\_en12.pdf](http://european-council.europa.eu/media/639235/st00tscg26_en12.pdf) (last visited 28.08.2013).

<sup>54</sup> *Prezydent ratyfikował pakt fiskalny (The President Ratified the Fiscal Compact)*, TVN 24, 24.07.2013, available at: <http://www.tvn24.pl/wiadomosci-z-kraju,3/prezydent-ratyfikowal-pakt-fiskalny,342039.html> (last visited 28.08.2013).

evaluating purchase/sale transactions executed by banking groups, supervision over compliance with the requirements concerning capital, financial leverage and liquidity, as well as supervision of financial conglomerates.<sup>55</sup>

The basic framework of the banking union, which was presented on 10 September 2012 by the European Commission, shows that it should comprise four undertakings: 1) the supervision of all banks by the ECB, 2) the mechanism of reassurance and organised bankruptcy of banks, 3) restructuring the banking sector using funds from the ESM, and 4) through mechanisms of solidarity, bringing about the development of a common banking system at the European level.<sup>56</sup>

Tomasz Grzegorz Grosse, who has studied this issue in detail, stresses that the concept of the banking union has given new life to the requests for establishing a ‘two-speed Europe’. He agrees with other experts that the banking union should not just limit the role of national banks, which is obvious, but it should also limit the role of local banking supervisory bodies. Of course it considerably strengthens the role of the ECB, but it could also deepen the economic dependence of countries of the periphery economic circle on the countries of the centre – primarily Germany – and their business entities. Consequently, Grosse stresses that the admission of such countries as Poland to the banking union could carry a series of economic risks with it, because it coincides with the domination of Western banks in the Polish market (estimated at 65 per cent of the total assets).<sup>57</sup>

G. Soros presents the issue in similar but much harsher words. He also believes that the actions taken so far will lead to a ‘two-speed Europe’ and he presents a rather grim vision: *‘The European Union that will emerge from this process will be diametrically opposed to the idea of a European Union that is the embodiment of an open society. It will be a hierarchical system built on debt obligations instead of a voluntary association of equals. There will be two classes of states, creditors and debtors, and the creditors will be in charge. As the strongest creditor country, Germany will emerge as the hegemon. The class differentiation will become permanent (...)’*<sup>58</sup>

As this text is being penned (in late summer 2013), the debate on the banking union and the entire financial system of the EU is far from being

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<sup>55</sup> [http://www.msz.gov.pl/pl/polityka\\_zagraniczna/zagraniczna\\_polityka\\_ekonomiczna/reformy\\_gospodarcze\\_w\\_ue\\_unia\\_bankowa;jsessionid=E44A8EE198E24A2AAA59244D75040DEA.cms2](http://www.msz.gov.pl/pl/polityka_zagraniczna/zagraniczna_polityka_ekonomiczna/reformy_gospodarcze_w_ue_unia_bankowa;jsessionid=E44A8EE198E24A2AAA59244D75040DEA.cms2) (last visited 28.08.2013).

<sup>56</sup> *Towards a banking union*, European Commission – MEMO/12/656, Brussels, 10.09.2012, available at: [http://europa.eu/rapid/press-release\\_MEMO-12-656\\_en.htm](http://europa.eu/rapid/press-release_MEMO-12-656_en.htm) (last visited 30.08.2013).

<sup>57</sup> T.G. Grosse, *Dylematy unii bankowej (Dilemmas of the Banking Union)*, “Analiza natolińska” No. 2(60)/2012, pp. 21–22.

<sup>58</sup> G. Soros, *The Tragedy...* op.cit., p. 57.

concluded and involves extremely diverse opinions, despite the growing awareness that if appropriate decisions are not made, the situation can only get worse. A particularly important issue raised in the discussion is the domination of the strongest economies – in particular the German economy – over the entire mechanism, which only strengthens the opinions of those considered to be Eurosceptics. At the same time, no one even tries to hide the fact that there are serious concerns that the difficult economic situation and widespread disappointment with the politicians in power could lead to an outbreak, or breakthrough, in favour of anti-establishment, populist movements which are hostile towards the European Union. If this happens the European leaders' mandate to implement reforms will become weaker and the chances for resolving the problems of the euro area radically decrease.<sup>59</sup>

### **3.3. The institutional crisis**

The EU institutions are constantly expanding and, consequently, they eat up more and more funds. They receive very generous funding, and each new programme quickly spawns new structures. This process was really noticed only after the 2008 crisis, when people became aware of the need to economise and tighten the belt. Unfortunately, what the public opinion sees in this regard is a game of appearances and verbal assurances rather than actual, concrete savings. Meanwhile, it is this aspect of the integration process that is particularly strongly emphasised and opposed by Eurosceptics. For example, according to one of the estimates presented in the United Kingdom, where most elites are at best reluctant to engage in further integration, EU bureaucracy is eating up funds equal to the GDP of the Netherlands.<sup>60</sup> If this is true, it would mean that the EU budget is already up to 835 billion dollars, as this is approximately the Netherlands' GDP.

Such arguments, even if exaggerated and at variance with the actual state of affairs, have a great effect on public attitudes and are also a threat to the future development of integration. Although they are often far from reality, they fall on fertile soil and consolidate the belief that EU bureaucracy is costly and overdeveloped, even though the actual state of affairs is somewhat different. According to the draft of the current financial initiative for the years 2014–2020, the general EU budget for this period is 141.9 billion euro annually, of which only 6 per cent is allocated to administrative expenses (un-

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<sup>59</sup> *FT: UE ma kilka miesięcy na rozwiązanie swoich problemów (The EU Has Several Months to Solve Its Problems)*, "Forbes", 12.08.2013.

<sup>60</sup> This argument is used by the Vice-Chairman of the Conservative Party, Brian Binley. <http://www.telegraph.co.uk/news/politics/10073306/Brian-Binley-European-Union-bureaucracy-is-now-the-same-as-the-GDP-of-Holland.html> (last visited 28.08.2013).

fortunately, this is the same amount that is allocated for playing the role of a global actor by the EU).<sup>61</sup> The EU budget for 2012 was 147.764 billion euro.<sup>62</sup>

Nonetheless it cannot be denied that there is an actual problem of overdeveloped and, at the same time, very costly EU institutions. The excess of bureaucracy is considerable and occasionally even spectacular. For example, as many as around 100 people receive EC Director-General-level remuneration, while officially there are only 33 such posts.<sup>63</sup> The issue gains in importance in the context of the solutions designed as the answer to the crisis of the euro area. Even people as well-informed as Günter Verheugen, former Vice-President of the European Commission, caution that if no adequate remedial measures are taken, after the elections to the European Parliament in spring 2014 the EU could face an institutional crisis.<sup>64</sup>

We should become ever more aware of the fact that – even if the EU in a purely technocratic version has not yet ended – it clearly is nearing its end. If the EU wants to survive, it can no longer be propelled only and solely by elites, as it has been since its very inception, or even since the commencement of the integration process. The challenges are so serious and the integration process is so far advanced that in order to ensure success, entire societies have to be included in the process. The question now is whether this can succeed, especially given the current, rather Eurosceptic attitudes.

In any case, one has to agree with the opinion of Mark Leonard, Co-founder and Director of the European Council on Foreign Relations, a well-known think tank, who in the context of a surging anti-European wave (Alexis Tsipras in Greece, Geert Wilders in the Netherlands, Timo Soini's 'True Finns', the Eurosceptical French, Hungarians, Czechs, or Poles) cautions and appeals to the European elites, starting with the German elites, that if mainstream politicians (i.e. the proponents of further integration) fail to engage in pro-European arguments and overtly oppose their anti-EU opponents, they could pave the way to power for other, equally undesirable groups.<sup>65</sup>

### 3.4. The axiological crisis

On 27 July 2013, Viktor Orbán, Prime Minister of Hungary and a rather uncompromising critic of the EU, said that in the last three years he became

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<sup>61</sup> <http://europa.eu/about-eu/basic-information/money/expenditure/> (last visited 28.08.2013).

<sup>62</sup> European Commission, *Report on Budgetary and Financial Management. Financial Year 2012*, prepared by DG Budget, Brussels 2012, p. 7.

<sup>63</sup> *How to cut Europe's bureaucracy*, "Financial Times", 23.11.2012.

<sup>64</sup> *Verheugen: Beware of the institutional crisis after the EU elections*, see: <http://www.euractiv.com/elections/verheugen-beware-institutional-c-interview-529555> (last visited 28.08.2013).

<sup>65</sup> M. Leonard, *Niemcy szkodzą Unii. I sobie (The Germans Are Harming the Union. And Themselves)*, "Gazeta Wyborcza", 16–17.06.2012.

aware that European institutions – the Commission, European Parliament and the Council – were not able to deal with the historical challenges that Europe faced.<sup>66</sup> Thus even the head of government of one of the EU Member States began openly doubting the EU's abilities and future.

Today, such opinions are no longer limited to the likes of V. Orbán. They are becoming increasingly common, stimulating a debate in which some, like the Hungarian Prime Minister, openly demand a return to full sovereignty,<sup>67</sup> others preach the end of Europe as we know it,<sup>68</sup> and yet others foretell a wave of renationalisation all over the continent.<sup>69</sup>

There is no doubt that in the swirl of events following 2008, the European integration project has found itself at a crossroads, and that the surging scepticism regarding the federalist principles of the integration model – increasingly reflected in the media and in the current political discourse – has already reached its deepest, axiological dimension, i.e., questioning the very system of values underlying European integration. Following the rejection of the concept of absolute dominance of the market and, consequently, the collapse of the neoliberal discourse dominant during the period 1990–2008, enforced by the undisputed hegemony of the USA during that time, the state has again become 'fashionable' and there has even been a return to centralisation and statism, of which Hungary, governed with the iron fist of Prime Minister V. Orbán, is probably the best and most visible example, but which is becoming increasingly popular all over Europe.

Consequently, the Copenhagen values, announced in June 1993, which defined the EU as a system of common values such as liberal democracy, individual and group rights and freedoms, the rule of law, and a market economy are now questioned on a daily basis. We are also witnessing the undermining of the system of checks and balances between the various branches of power – the executive, the legislative and the judiciary, and a shift in favour of the primacy of the executive branch. Once again Hungary is the unquestioned European leader in this regard, although it is by far not the only country undergoing such a shift.

Observing the European discourse and the reactions to the crisis in the political dimension, we can draw the conclusion that truly pan-European policies are fading out of existence and politicians from the various Member

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<sup>66</sup> V. Orbán, *A kormány nemzeti gazdaságpolitikát folytat (Government Continues National Economic Policy)*, available at: [www.miniszterlonok.hu](http://www.miniszterlonok.hu) (last visited 25.08.2013).

<sup>67</sup> *Ibidem*.

<sup>68</sup> The central theme of the quarterly "Przegląd Polityczny" No. 111/2012. Participants of the debate include: A. Smolar, P. Wandycz, K. Pomian, and P. Hassner.

<sup>69</sup> See the quarterly published in Prague in Czech, Polish and English: "ASPEN Review" No. 1/2013.



States are either making some deals in Brussels, and not entirely transparent ones at that, or presenting their own national options in the media, rather than the taking into account the interests of the continent as a whole. Unfortunately, there is no sign in sight of any future wave of supranational European patriotism, which itself proves the deficiency of the actions and undertakings conducted so far. We are dealing not only with an economic crisis and a crisis in the euro area, but also with a crisis of democracy. Hence we have gone from the sphere of economics to the sphere of axiology.

Zdzisław Najder, an eminent expert in European processes, is quite right to note that the source of the problem is that we have a Europe without Europeans; and there is no institution in Europe which would focus on promoting a common sense of Europeanness (such non-governmental centres as exist, like the Robert Schuman Foundation in Poland, are mostly active among those who are already pro-European, so they can hardly be considered as missionaries).<sup>70</sup> Thus, the true challenge faced by pro-European forces is how to reach those who are not convinced at a time when groups openly contesting the integration processes seem to be on the offensive.

## 4. Scenarios for the future<sup>71</sup>

### 4.1. A federation, after all?

In February 2002, the then Polish Minister of Foreign Affairs, Włodzimierz Cimoszewicz, noted that at that time there was no consensus with respect to European federalism.<sup>72</sup> Despite the passage of more than a decade since then, nothing has changed in this regard. In fact we might even say that the situation has deteriorated. A strong signal and an important turning point in the pursuit of federalist aspirations was the open opposition to them expressed in the Spring 2005 national referendums in France and the Netherlands (held respectively on 29 May and 1 June), in which the citizens of these two countries rejected the agreed-upon draft of a common European constitution, signed on

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<sup>70</sup> Z. Najder, *Świadomość Europejczyków. Próba diagnozy (The Awareness of the Europeans. Towards a Diagnosis)*, "Przegląd Polityczny" No. 115/116/2012, p. 36.

<sup>71</sup> In a special report of 2012 titled *Global Europe 2050*, the European Commission presented three scenarios for the future of the continent and the EU: standstill, fragmented integration, and further integration, or an EU Renaissance. The report is available at: [http://ec.europa.eu/research/social-sciences/pdf/global-europe-2050-report\\_en.pdf](http://ec.europa.eu/research/social-sciences/pdf/global-europe-2050-report_en.pdf) (last visited 30.08.2013). For a critical analysis of the report see: P. Żuber, *Czy Unia Europejska potrafi prognozować? Globalna Europa 2050 (Does the EU Know How to Make a Prognosis? Global Europe 2050)*, "Biuletyn PTE" No. 2961/April 2013, pp. 65–72. The Author of the present article does not fully share the views expressed in the report and, therefore, presents slightly different scenarios.

<sup>72</sup> E. Halizak, S. Parzymies, *Unia...*, op.cit., p. 117.

29 October 2004 in Rome and called the ‘Treaty establishing a Constitution for Europe’.<sup>73</sup> This was another confirmation – and a very clear one at that – that integration within the EU (and earlier in the three Communities) was an elitist-driven project, not fully shared by the societies of the Member States.

Because of its specific construction, since its establishment the EU has been an entity based on two models: federalist and confederalist.<sup>74</sup> On one hand, we have the ‘community policy’ and ‘communitarised’ undertakings, mainly in the field of the economy, and on the other hand we have the actions based on intergovernmental cooperation and the sovereign equality of states. The latter are predominant in foreign and security policy.

Adam Krzemiński, an expert in Germany-related issues, aptly notes that in 2013, there are as many as four great debates taking place in Europe: 1) economic/financial: how to save the euro and the indebted countries 2) constitutional/legal: how much sovereignty can be ceded? 3) political: how to overcome the democratic deficit? and 4) the historiosophical/geopolitical: what kind of Europe has a chance to cope with the new distribution of global power in the 21<sup>st</sup> century?<sup>75</sup> Krzemiński, as well as most analysts, reaches a rather unambiguous conclusion: if the EU relies only on loose confederation and does not further federalise, it will unfortunately not play the role of a global actor. Only a united, strong and tightly-knit EU can pretend to the role of a global power. A fragmented EU, divided according to various criteria – be they political or economic – can only lead to a scenario of marginalisation of Europe as a whole.

#### 4.2. The hard core

Since the very beginning, even before the establishment of the EU, the process of European integration has struggled with a fundamental dilemma: widen or deepen? It was constantly an open issue how far to go in the process of deepening, i.e. in federalisation, and how many new members to include in this process. As regards the widening approach, EU leaders were perfectly aware that further territorial expansion of the EU would increase its heterogeneity, and consequently would put emphasis on the need increase centralised authority at the risk of allowing for a disintegration. In this particular context, J. Delors made another acute observation, stating that the larger the periphery, the greater the need to create a hard core.<sup>76</sup>

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<sup>73</sup> Treaty establishing a Constitution for Europe (final), OJ 2004 C 310/1.

<sup>74</sup> D. Milczarek, *Pozycja i rola...*, op.cit., p. 63.

<sup>75</sup> A. Krzemiński, *Nadchodzi Wiosna Europy? (Is the Springtime of Europe Coming?)*, “Przegląd Polityczny” No. 115/116/2012, p. 44.

<sup>76</sup> See: D. Calleo, *Rethinking Europe's Future*, Princeton University Press, Princeton, NJ–Woodstock, Oxfordshire 2001, p. 297.

It would seem that this issue has never been more topical than today, when as a consequence of the prolonged crisis, the challenge has arisen to further deepen the integration, once again reaching to the core of state sovereignty, by introducing a banking or fiscal union, both of which are at the same time new steps on the path towards federalisation.

As a consequence of the deep and long-lasting crisis, in early 2013 parts of the European continent and the EU itself have started drifting apart. As a matter of fact, at this moment we can speak of ‘three Europes’,<sup>77</sup> with political elites representing very different views and with different realities. The first of these Europes is, of course, the euro area, but it is highly fragmented and unequal itself, due to the depth of the serious problems in its member countries. Within this group, Germany is strong, while the Mediterranean countries are struggling with various, often serious difficulties. The second Europe, which is gradually emerging on the horizon, is more or less openly against further integration and does not want to join the euro area, the banking union or the common fiscal policy (including the common budget). We can include here both the United Kingdom and Hungary, and the position of the Czech Republic, for instance, is not yet defined, as Euroscepticism is very strong and widespread there, even though its most famous proponent – Vaclav Klaus – is no longer President. Finally, the third Europe consists of countries which are not yet sure what they should do: whether to join the euro area or not – and Poland is the largest of these countries. It should also be noted that in all the three categories of countries, their elites are increasingly divided and polarised and their participation in future European projects may depend on the winner of the next election(s). This is an entirely new situation, without precedent in the years preceding the crisis.

### **4.3. Renationalisation and decreasing the role of the EU?**

The main theme of the first 2013 issue of the magazine *Aspen Review*, published in Prague, was the telling subject of ‘Renationalisation’. One of the authors of an article on this topic, Charles Grant, director of the eminent London-based Centre for European Reform, wrote: ‘(...) *what those leaders are doing – centralizing economic policy-making and talking of “political union” – makes the EU less congenial to the British. The more the EU moves beyond the relatively limited economic club that the British joined, the more suspicious they became of it*’.<sup>78</sup>

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<sup>77</sup> B. Góralczyk, *Trzy Europy (Three Europes)*, “Obserwator Finansowy”, 6.01.2013, available at: <http://www.obserwatorfinansowy.pl/forma/debata/trzy-europy/> (last visited 25.08.2013).

<sup>78</sup> *How Britain Could Leave the EU*, “Aspen Review – Central Europe” No. 1/2013, p. 32.

The real problem is that it is not only the British but virtually all European nations that face the dilemma highlighted by Grant. It is on the everyday agenda in France, Germany, the Czech Republic and Poland, while in Hungary Prime Minister V. Orbán has made it the principal paradigm of state policy. As a consequence of the crisis, we are dealing with a wave of clearly anti-EU and anti-federation attitudes which will be very difficult to oppose, especially if the Member States and the EU itself do not find a way back onto a path of growth.

Today, in mid-2013, this wave of renationalisation has become so strong and widespread that it almost drowns out the voices of experts and politicians who openly speak in favour of further deepening integration and moving towards federal solutions. It should be noted that in Poland, a pro-European manifesto was published in the form of a book by R. Kuźniar, advisor to the Polish President for international issues.<sup>79</sup>

In the European arena, in turn – apart from the ‘official’ projects of the President of the European Commission José Manuel Barroso<sup>80</sup> – the most mature project of this type was presented by a group of experts and well-known politicians (e.g. Romano Prodi, Tony Blair, Gerhard Schroeder, Mario Monti, Marek Belka) brought together by the Berggruen Institute. The group claims that in the globalising world, there is no alternative for the EU other than further integration, which should now look for federal solutions modelled after Switzerland. Namely, the group calls for those institutions which are already suffering a democratic deficit to be at least partially elected under a democratic mandate – starting with the President of the Commission; for moving more issues, including such important issues as foreign affairs, defence policy or energy policy, to the supranational level, which in turn requires a reform of the European Parliament (if only by introducing a European Chamber, comprising the heads of national Parliaments); and for a transformation of the European Council into a legislative body of the EU.<sup>81</sup>

This meaningful document also included an important appeal to the leaders of the strongest European state: ‘*If Germany wants to remain a broadly prosperous and fair society in a globalised world, it can do so only within a stable eurozone and all that that entails – to start with, a banking union, then fiscal union, and, ultimately, a federal political union*’.<sup>82</sup>

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<sup>79</sup> R. Kuźniar, *My, Europa*, op.cit.

<sup>80</sup> In his *State of the Union Speech*, 12.09.2012, available at: <http://ec.europa.eu/soteu2012/> (last visited 26.08.2013).

<sup>81</sup> N. Berggruen, N. Gardels, *The Next Europe*, “Foreign Affairs” July/August 2013, pp. 139–141, available at: <http://www.foreignaffairs.com/articles/139461/nicolas-berggruen-and-nathan-gardels/the-next-europe> (last visited 30.08.2013).

<sup>82</sup> *Ibidem*, p. 137.

The open question is: what will the Germans and other Europeans do in this difficult situation? At this point, we have no way of knowing. However, one thing seems certain: if the dilemma of renationalisation vs. federation is not solved, the role of the EU in the global arena will continue to remain an open question. At the same time, it is certain that choosing the option of fragmentation would entail weakening and marginalisation of Europe in the world. Is this what we, the Europeans, really want?

One conclusion seems most apt and least disputable. It was explicitly formulated by Timothy Garton Ash, a well-known British expert, who wrote: ‘(...) *it is absurd to expect in the long run that you can maintain economic and monetary union without political union*’.<sup>83</sup> It would be wise for all those now discussing the issue and making decisions on the future of the EU to bear this observation in mind. Europe cannot remain in the dysfunctional triangle of national policies, common European policies and global markets and challenges. It has to do something about it, and that involves making a choice. But what will we choose?



The EU was born – and this we have to bear in mind – in an age of optimism or even Western triumph, in an age of liberalism in trade and flourishing opulent markets which, under the ‘neoliberal wave’ of that time, were absolutely dominant all over the world. Meanwhile, two decades later, as a consequence of the obvious turning point brought about by the 2008 crisis, and not only to the markets, people are talking more and more frequently and openly about the role of the state and its coordinating or regulating function. This debate is taking place not only in the emerging markets, such as the statist and market-oriented China, but also in the ‘cradles’ of liberalisation such as the USA, the UK and the EU. The notions that used to be so popular and fashionable and that were openly promoted in the West after the fall of the Cold War order – globalisation, liberalisation (of markets and trade) and integration – have lost many supporters. At the same time, as we can see from an analysis of the public discourse and from observations in the media, the voices of the proponents of the national state, and even statism, are becoming ever louder.

The most important challenge to the process of European integration is still the division into Member States, EU institutions, and citizens. This division has recently become even more pronounced than before. As one of the

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<sup>83</sup> T. Garton Ash, *The Crisis of Europe...*, op.cit., p. 13.

Polish analysts aptly pointed out, the EU is largely a reactive structure, which cannot take into account and then creatively implement visions of the future, because both the competences of the individual institutions and the political game played by the various spheres effectively block the development of a sense of responsibility for the whole project of a united Europe. The analyst further concludes that in order to preserve the role of Europe in a world which is moving forward at a very rapid pace, another strong integration impulse is needed.<sup>84</sup> In other words, Europe and the EU can only be saved by an ‘escape forward’, or yet another major effort to deepen integration.

Perhaps this sums up why we should bear in mind the message published recently in an analysis offered in *The Economist*: ‘*A century ago the world’s last great era of trade integration ended with a war and ushered in a generation of economic nationalism and international conflict*’.<sup>85</sup> As we know, history never repeats itself in exactly the same way, but similar tendencies may appear. And this we must never forget.

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<sup>84</sup> P. Żuber, *Czy Unia Europejska...*, op.cit., p. 71.

<sup>85</sup> *Emerging economies. When giants slow down*, “The Economist”, 27.07.2007, available at: <http://www.economist.com/news/briefing/21582257-most-dramatic-and-disruptive-period-emerging-market-growth-world-has-ever-seen> (last visited 28.08.2013).