

## Hans Kundnani

# Europe and the Return of History

In a lecture in Oxford in October, German Finance Minister Wolfgang Schäuble said that «far from undoing the European project, the crisis has been helping to advance it».<sup>1</sup> In one sense, of course, he is right. The crisis has been the catalyst for a process of accelerated integration that would have been unthinkable under other circumstances, in which member states have transferred powers to the European level, particularly (but not only) over their economies. The banking union that is now being created may be followed by a fiscal and even political union of some kind (though this has yet to be defined).<sup>2</sup> Thus, for many people such as Schäuble who are thought of as exemplary «pro-Europeans», the crisis has been an opportunity for «more Europe».

The idea that the European project has been «advanced» in the last three years, however, assumes that integration is self-evidently a good thing. But is it? In this context, it may be helpful to recall what distinguishes the European project – that is, European integration since 1945 – from earlier attempts to «integrate» the continent. In particular such attempts were, first, often bids for hegemony by one continental European country and, second, they usually involved coercion. The European Union, on the other hand, was meant to overcome both hegemony and coercion in Europe. But recent developments suggest that these two phenomena may now be returning *within* the European Union.

Thus, the further steps in European integration that have been taken in response to the euro crisis raise fundamental questions about the future of the European project. But while the mixture of visionary and bureaucratic language connected with the European Union in some cases no longer seems to capture reality, the language of pre-1945 international relations appears to be entirely inappropriate.

<sup>1</sup> Speech at St. Antony's College, Oxford, 28 October 2012, <http://www.sant.ox.ac.uk/esc/docs/SchäubleTranscript.pdf>.

<sup>2</sup> See S. Dullien / J. I. Torreblanca, «What is Polit-

cal Union? European Council on Foreign Relations», December 2012, [http://ecfr.eu/page/-/ECFR70\\_POLITICAL\\_UNION\\_BRIEF\\_AW.pdf](http://ecfr.eu/page/-/ECFR70_POLITICAL_UNION_BRIEF_AW.pdf).

ate. This makes it difficult even to articulate current developments in Europe. Is what is now taking place the completion of the «ever-closer union» that «pro-Europeans» always wanted, as Schäuble suggests? Or is it in fact something else that in some ways resembles pre-1945 international relations in Europe? To put it another way, is it the end, or rather the return, of history in Europe?

### **1. A More Coercive European Union**

The European Union is a unique phenomenon in international relations: a project of regional integration that has become «something more than an intergovernmental organization but less than a fully-fledged European «state»».<sup>3</sup> Above all, the integration that began with the Schuman Plan in 1950 was based on voluntary rather than forced transfer of sovereignty. Thus, as the European Union evolved, it was able to function as a kind of civilising structure that accepted and managed difference in Europe while producing convergence based on compromise rather than coercion. It put «much stricter limits on the tactics which member states are prepared to use against each other than on those between any random pairing of states in international relations».<sup>4</sup> In particular, it eliminated military force as a legitimate means to resolve disputes within Europe.

In order to solve the current crisis, however, the European Union seems to be evolving in a new and – given its aspirations – problematic direction. First, the steps towards further integration since the crisis began have been taken on the basis of something between voluntary and forced transfer of sovereignty. Technically, of course, they have followed many of the same procedures as previous integrative measures; no one has been forced to agree to further integration. In reality, nonetheless, eurozone countries have had little choice but to transfer powers to the Union level: as European leaders such as Chancellor Angela Merkel have themselves repeatedly told them, there is no alternative. In that sense, it has been what Thomas Kleine-Brockhoff calls «integration at gunpoint».

Second, in order to fix flaws in the architecture of monetary union, the European Union is now introducing a much stricter system of rules and the enforcement of rules. In particular, although the crisis has dramatically revealed the failure of the Maastricht regime to produce economic convergence in the single-currency area, the eurozone countries, led by Germany, have sought to extend and tighten the system of rules created by Maastricht, as well as strengthen their enforcement.<sup>5</sup> The «Maastricht III» system that is emerging from the crisis, based on the series of measures taken since the crisis that culminated in the fiscal com-

<sup>3</sup> C. Hill / M. Smith (eds.), *International Relations and the European Union*, Oxford 2005, 4.

<sup>4</sup> Ibid., 8.

<sup>5</sup> See T. Klau / F. Godement / J. I. Torreblanca,

«Beyond Maastricht: A New Deal for the Euro-zone», European Council on Foreign Relations, December 2010, [http://www.ecfr.eu/page/-/ECFR26\\_BEYOND\\_MAASTRICHT\\_AW\(2\).pdf](http://www.ecfr.eu/page/-/ECFR26_BEYOND_MAASTRICHT_AW(2).pdf).

pact, is more intrusive and imposes stricter conditionality and greater homogeneity in the European Union than its two predecessors.<sup>6</sup> German politicians and officials can now be heard quoting Lenin: «Trust is good, control is better». The way this system functions can of course be seen in its most extreme form in the eurozone's crisis countries.

Thus what seems to be emerging from the crisis is a more coercive European Union – in other words, one in which coercion plays a greater role than in the past. This in turn is creating tensions *between* member states (that is, between surplus countries and deficit countries) and *within* member states (that is, between elites and citizens). Again, this occurs in its most extreme form in the crisis countries. This more coercive European Union seems a world away from the vision of its founding fathers. The morning after the fiscal compact was agreed upon at the European summit in December 2011, Ian Traynor wrote in *The Guardian* that what was emerging from the euro crisis was «a joyless union of penalties, punishments, disciplines and seething resentments».<sup>7</sup>

## 2. A German Europe

At the same time as becoming more coercive, Europe is also becoming more German. The European Union was created in part to constrain German power – in fact this may have initially been «the single most important driving force behind European integration».<sup>8</sup> But never in the history of the European Union has one member state been as relatively powerful as Germany is now. In fact, Germany is currently perceived to be so dominant that the European Union itself is identified with it – a development that is hugely damaging for the way the Union is seen. There is now once again much debate about potential German hegemony within Europe and even about the possible emergence of a German «empire» – historical phenomena that the European Union was meant to overcome.<sup>9</sup>

In the past, Franco-German leadership of the European Union was based on what Stanley Hoffmann called the «équilibre des déséquilibres» (balance of imbalances)» between a France that was perceived to lead in political terms and a West Germany that was stronger in the economic sphere: thus France was the European Union's leading political power and West Germany was its leading

6 On this series of measures, see Dullien / Torreblanca, «What is Political Union?», 2.

7 I. Traynor, «As the dust settles, a cold new Europe with Germany in charge will emerge», *The Guardian* (9 December 2011), <http://www.guardian.co.uk/business/2011/dec/09/dust-settles-cold-europe-germany?newsfeed=true>

8 G. Lunested, *The United States and Western Eu-*

*rope Since 1945. From <Empire> by Invitation to Transatlantic Drift*, Oxford 2005, 9.

9 See H. Kundnani, «What hegemon?», in: *IP Journal*, 4 May 2012, <https://ip-journal.dgap.org/en/ip-journal/topics/what-hegemon>; idem, «A German empire?», in: *Project Syndicate*, 21 June 2012, <http://www.project-syndicate.org/blog/a-german-empire>.

economic power. During the last decade, however, as Germany has become more explicit in the pursuit of its national interest within the Union and as France has lost competitiveness relative to Germany, the balance between the two countries has been upset. As a result, the way the two countries reach deals is changing: Germany is now able to dictate terms to France and to other countries in a way it never was in the past.

In the context of this unprecedented power, Germany has sought in the last three years to export its economic model – which, rightly or wrongly, Germans see as the only way to solve the crisis and make Europe «competitive» (and therefore as serving the European interest rather than simply the German national interest). Eurozone countries have adopted structural reforms based on those introduced by Gerhard Schröder in Germany, and they agreed in the fiscal compact to adopt a version of the *Schuldenbremse*, or debt brake, that Germany introduced in 2009. Germany has not always got its own way since the crisis began. But it has only made concessions when forced to do so by a coalition of other eurozone countries or by financial markets. Nevertheless, while Germany has been relatively successful in exporting rules, it has been less successful in exporting norms: there is no «Berlin Consensus».

The consequence of this accretion of German power is that the stricter conditionality now being imposed is perceived in deficit countries such as Greece and Italy as imposed by Berlin rather than Brussels. At a practical level, this unprecedented identification of the European Union with one member state may make conditionality harder to impose and increase resistance to it. At a deeper level, however, it may also transform perception of the Union from a vehicle for managing difference and overcoming domination by one European country to a vehicle for what Kalypso Nicolaïdis has called «soft» domination by one country. George Soros has pointed out that debate about the crisis has taken place using the terminology of centre and periphery – terms that are normally used to describe imperial relationships rather than geography. Soros has warned of the danger of the emergence of «a German empire with the periphery as the hinterland».<sup>10</sup>

### **3. The Return of History?**

Greater coercion and German power are together leading to a renewed perception of German domination. Thus, one sense in which history is already returning in Europe is that collective memories from the pre-1945 past are both informing the discourse about Europe and are being instrumentalised by it. The most dramatic – but by no means only – example is the mutual animosity between Ger-

<sup>10</sup> G. Soros, «Remarks at the Festival of Economics, Trento Italy», 2 June 2012, [http://www.georgesoros.com/interviews-speeches/entry/remarks\\_at\\_the\\_festival\\_of\\_economics\\_trento\\_italy/](http://www.georgesoros.com/interviews-speeches/entry/remarks_at_the_festival_of_economics_trento_italy/)

[soros.com/interviews-speeches/entry/remarks\\_at\\_the\\_festival\\_of\\_economics\\_trento\\_italy/](http://www.georgesoros.com/interviews-speeches/entry/remarks_at_the_festival_of_economics_trento_italy/)

many and Greece – the two countries that, in different ways, are at the centre of the crisis that began in 2010.<sup>11</sup> Greek newspapers have compared Merkel to Hitler, and some Greeks are once again demanding war reparations. When Merkel visited Greece in October 2012, some protesters burned flags bearing the Nazi swastika and wore Nazi uniforms.<sup>12</sup>

Thus, history has already returned in the minds of European citizens – in other words, at the level of perceptions and representation. This may be a temporary phenomenon. On the other hand, it could be only the beginning, even in the best-case scenario in which the eurozone remains intact and a banking and fiscal union is successfully created. But what about reality rather than perception and representation – in other words, the structural level? Is German domination merely imagined? It is of course too soon to say. There is nonetheless some worrying evidence that these perceptions may have a basis in reality. In particular, the discussion among serious analysts about the possible emergence of a German «empire» – a term that is even stronger than «hegemony» and suggests a lack of consent – should worry «pro-Europeans».<sup>13</sup>

What Soros and others have in mind when they use the term «empire» in relation to Germany is a kind of economic imperialism. Above all, the use of the term appears to be an attempt to capture the way that the eurozone seems increasingly to be dominated by one country that is pursuing its own economic interests at the expense of others. It is an empire, that is to say, because it appears to be becoming a system of economic relations in which the imperial core exploits the periphery. In particular, critics of Germany point to the asymmetric adjustment process on which it has insisted since the beginning of the crisis – deflation in the periphery without inflation in Germany. «This is not a monetary union», Martin Wolf wrote in May. «It is far more like an empire».<sup>14</sup>

Even in the best-case scenario, the divide between creditor and debtor countries may become permanent. There has already been significant capital flight from the periphery; now an exodus of young people is beginning from debtor countries with high levels of unemployment such as Greece and Spain to creditor countries such as Germany. In the first half of 2012, immigration to Germany increased by fifteen per cent to about half a million people – most of them from

<sup>11</sup> See for example T. Barber, «Greeks direct cries of pain at Germany», in: *Financial Times* (14 February 2012), <http://www.ft.com/intl/cms/s/o/67ff90dc-5728-11e1-869b-00144feabdco.html#axzz1p4kMceBT>; R. Clogg, «In Athens», in: *London Review of Books* (5 July 2012), <http://www.lrb.co.uk/v34/n13/richard-clogg/in-athens>.

<sup>12</sup> R. Donadio / N. Kulish, «Official Warmth and Public Rage for Merkel in Athens», in: *New York*

*Times* (9 October 2012), [http://www.nytimes.com/2012/10/10/world/europe/angela-merkel-greece-visit.html?\\_r=0](http://www.nytimes.com/2012/10/10/world/europe/angela-merkel-greece-visit.html?_r=0)

<sup>13</sup> On German «hegemony» in Europe see Kundnani, «What hegemon?».

<sup>14</sup> M. Wolf, «What Hollande Must Tell Germany», in: *Financial Times* (8 May 2012), <http://www.ft.com/cms/s/o/51bf429c-98f8-11e1-948a-00144feabdco.html#axzz2HrtaTm4i>

other European member states. Immigration to Germany from Greece, Spain and other crisis-hit southern countries is growing even faster.<sup>15</sup> The danger is, as Soros writes, that «both human and financial resources will be attracted to the center and the periphery will become permanently depressed».<sup>16</sup>

Again, this is quite different from the European Union we knew. Some «pro-Europeans» see the brain drain from deficit to surplus countries simply as exemplifying the EU principle of freedom of movement – and thus as an «advance» produced by the crisis. But a Europe with a self-perpetuating divide between «centre» and «periphery» is not quite what the European Union's founding fathers – or even the single currency's creators – had in mind. Such a divide would also be at odds with the way Europe continues to imagine itself. The European Union is supposed to be different and more «social» than the United States. But if Europe does not redress the imbalances created by the eurozone, and the capital flight and brain drain Soros fears become a reality, cities and regions will be condemned to depopulation and disadvantage.

Alongside these economic developments, a change may also be taking place in the relational structure of the European Union in response to German power. As the European Union has gradually enlarged from 6 member states to 27, its network structure has become ever more complex. But in the last three years, policy-making within the Union has in general been bilateral and centred on Germany. The initial crisis management was dominated by «Merkozy», but on economic issues Germany has often caucused first with Finland and the Netherlands while other member states such as Poland have also sought close relationships with Germany. In 2012 German Foreign Minister Guido Westerwelle convened a group of eleven «like-minded» foreign ministers to set out a vision for further integration.<sup>17</sup>

This policy-making process centred on Germany shows similarities with strategies that nation-states typically adopt in response to hegemons. European member states are fearful of alienating Germany and some therefore tend to bandwagon with it. But because no other member state is strong enough on its own to resist Germany, others also at times form coalitions against it – as France, Italy and Spain did at the June 2012 European Council. In other words, we may be seeing the re-emergence of counterbalancing within Europe. We may even be seeing

<sup>15</sup> M. Steen, «Europe Spies Glimmer of Hope in Grim Debt Tale», in: *Financial Times* (30 November 2012), <http://www.ft.com/cms/s/0/7e5cd158-3a28-11e2-a00d-00144feabdco.html>

<sup>16</sup> G. Soros, «The Tragedy of the European Union and How to Resolve it», in: *New York Review of Books* (7 September 2012), <http://www.nybooks.com/articles/archives/2012/september/27/tragedy-of-the-european-union-and-how-to-resolve-it>

[european-union-and-how-resolve-it/?pagina-tion=false](http://europa.eu/eurogroup/european-union-and-how-resolve-it/?pagina-tion=false)

<sup>17</sup> The group's report was published in November 2012 and is available at <http://www.auswaertiges-amt.de/cae/servlet/contentblob/626338/publicationFile/171842/120918-Abschlussbericht-Zukunftsgruppe.pdf>

a change from a network to a hub-and-spoke relational structure – a structure that is usually thought of as a feature of empire and sometimes even as being constitutive of empire.<sup>18</sup>

#### 4. International Relations and the European Union

There is now not just a danger that a break-up of the euro could lead to the disintegration of the European Union, as Chancellor Merkel has said, but also a danger that in saving the euro the eurozone could destroy the European Union, or at least the European Union we knew. The way that the Union is changing in response to the crisis raises difficult questions for «pro-Europeans». What does it mean to have a more coercive, German-dominated European Union (even if Germany is exercising only «soft» domination)? Is it possible that within the context of this changing European Union elements of pre-1945 international relations that it was meant to overcome are returning to Europe? Finally, if a European Union of this kind is emerging, can it really be called an «advance» in the European project, as Schäuble put it?

Developments since the euro crisis began raise the question of what has changed in international relations in Europe since the creation of the European Union. Clearly, there are hugely important differences between the context of the European Union and that of Europe before the end of the Second World War. First, *intentions* are different: though Germany has used its unprecedented power to impose its preferences on others in Europe, there is no bid for hegemony in the traditional sense. In fact, Germany has been widely criticised for being a «reluctant hegemon» – in other words the opposite of an aspiring hegemon. Second, the *means* are undoubtedly different: no EU member state – and least of all Germany – would be able or willing to use military force against other European countries as in the past. Thus, if member states are now using hard power to coerce other member states, it is a different type of hard power than in the past: not military but economic.

The crucial question is what exactly, apart from the rejection of the use of military force as a foreign-policy tool, has changed in international relations within Europe since the creation of the European Union. In his Humboldt speech in 2000, Joschka Fischer argued that «the core of the concept of Europe after 1945 was, and still is, a rejection of the European balance of power principle and of the hegemonic ambitions of individual states that had emerged following the Peace of Westphalia in 1648».<sup>19</sup> Many international-relations theorists would however

<sup>18</sup> See D. H. Nexon / T. Wright, «What's at Stake in the American Empire Debate», in: *American Political Science Review* 2007, 253–271.

Thoughts on the Finality of European Integration», Speech at the Humboldt University, Berlin, 12 May 2000.

<sup>19</sup> J. Fischer, «From Confederacy to Federation.

argue that, in so far as EU member states retained sovereignty, there remained a balance of power in Europe – even if it was not backed by military force. What may have happened since the beginning of the crisis, therefore, is that the equilibrium that existed in Europe has been upset – and that the «German question» has once again become acute.

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