

# FUTURE OF EUROPE

We asked five commentators to provide their thoughts on whether Europe has a future. Their responses are below.

## DEBT CRISIS WILL ONLY STRENGTHEN EUROPE

**Geoffrey Blainey** is Australia's leading historian. His most recent book is reviewed elsewhere in this issue

**T**he European Union is currently the largest economy the world has seen. With 27 member nations and 500 million people, it produces more wealth annually than the United States or China. It is the foremost exporter in the world. And yet, in the eyes of many well-informed observers, it does not appear to be particularly important, partly because the Germans and the French and the British and Italians each prize their own country more than they prize the European Union. Moreover, compared to the United States and China, and even India, the European Union does not display a political influence commensurate with its economic might. Even its economic might is camouflaged, temporarily, by the daily headlines proclaiming its current financial crisis. Its short-term future is therefore in the shadows. There may be grave setbacks and even retreats. Its long-term future, however, is a different picture. When you think of its achievements, nearly all of which were made during the last half century, you have to be relatively optimistic about its role in the next half century. The rise of the European Union is one of the most unexpected events in the modern world. Who in 1950 could have predicted that, within the next half century, so many European nations would come together

in a union that would be mainly successful, and in several spheres, triumphant? Unusual factors helped bring these nations together. The uniting factors included two devastating wars on European soil in the space of barely a generation, and later, the threat to Western Europe posed by the Soviet Union, especially in 1945–85. The disbanding of Europe's empires also enabled the old colonial powers to re-assess and re-direct their future. The support of the United States was crucial at first. These uniting factors are no longer very powerful, but the European Union is now such a force that it will not easily be dismembered. Even the withdrawal of Britain would not undermine it. The big-member nations as well as the small still gain more than they lose from the existence of the European Union, though in a time of crisis they naturally think more of the disadvantages. Perhaps Germany, the conspicuous complainer in 2011, has gained the most. It is now the number one in Europe—a position it could not achieve in two world wars. The new Europe, a remarkable edifice, succeeded partly because it advanced in slow stages. It was like an automobile assembly line that began with a car door and a couple of rear-vision mirrors. The other parts, especially the chassis, were added later. What became a huge common

market began as an alliance between the coal and steel industries in six nations. No other union or federation in the world had begun so slowly or with such cautious steps. On the other hand it did not acquire, during its first half century, much experience in combating

extreme adversity. Perhaps that is why its current debt crisis is so vexing and humiliating. Ultimately, however, it is more likely to be strengthened than weakened by this experience of adversity.

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## THE EUROPEAN UNION

**Alexander Downer** was Australia's longest-serving Minister for foreign Affairs from 1996 to 2007

**I**t always sounded like a great idea. The bellicose continent of Europe which brought us two world wars in a little more than 30 years and plenty before united in a single entity called the European Union. At its heart is the Franco-German alliance, two countries that slugged it out three times between 1870 and 1945.

For all its weaknesses, the European Union can boast two great achievements: there has indeed been peace between its members (although, in truth, there's no reason to believe that wouldn't have been the case without the European Union), and it has created a single, liberal market between all 27 members with a strong framework for competition.

It has its problems, though. The euro is the triumph of politics over economics. A single currency should have been one of the final steps in establishing a United States of Europe. There has to be one fiscal policy, one monetary policy, and one system of economic governance to make a single currency work.

Instead, the Germans and the French decided that by establishing a single currency, they would force the euro economies to converge. In other words, they thought they could achieve economically what was hard to achieve politically.

They failed and the reason they failed was a lack of will throughout the Eurozone to meet the required fiscal and economic targets. Even the French and Germans themselves ignored

the targets! They weren't helped by the need to bail out their banks during the global financial crisis but the truth is even before the crisis hit, Eurozone countries to a greater or lesser extent showed scant regard for the virtues of fiscal discipline.

The future of the euro is now hanging in the balance. Greece will almost certainly default, and it's questionable whether the contagion effect of that default will destroy the euro altogether. If it does, which is unlikely, the whole European project will be in jeopardy.

The second great weakness of the European Union is equally serious. Collectively, the Europeans don't know what they want to achieve. Some, but not many, want to create a United States of Europe with a single federal government based in Brussels. Others want the current level of integration wound back. They see the EU institutions as too intrusive and prescriptive.

In the wake of the global financial and euro crises, European public opinion has turned decidedly against further integration.

Unfortunately, Europe is not sufficiently integrated to present a strong and decisive face to the outside world, but it is integrated enough to restrict individual member states from being strong and decisive. That's because there is a requirement to establish 'European' positions on key internal and external issues.

In foreign policy terms, the European Union punches way below its weight as it struggles to