

Crossing Borders or Introvert Union? The Euro Crisis and the EU's Relations with its Southern Neighbors

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A year and a half into the Arab awakening, the European Union is facing a dual challenge. The first challenge has to do with the Union itself: The financial, economic and sovereign debt crises and the loss of competitiveness of a number of EU member countries have called into question the Union's prosperity, its economic and social cohesion, and even its attractiveness for both its citizens and potential new members.

The second challenge to the European Union is an external one, resulting from the Arab awakening and the changing political landscapes in the southern Mediterranean. Since early 2011, EU countries have been facing a new order emerging in their southern neighborhood – an order that at least for the time being hardly looks “ordered.”

In this essay I will examine the links between these challenges, and explore what impact the internal state of the European Union has on its external relations with its southern neighbors. While both the internal and the external challenges entail a great deal of uncertainty and even risk, I will argue that they also offer opportunities for a true renewal of the Union's relations with its neighbors – a renewal that may help the EU continue to deliver on its promise of peace and prosperity for its citizens.

The impact of the Euro crisis on the EU's internal cohesion: Toward a new “two-speed” Europe

As of the time of writing, in the spring of 2012, there is cautious optimism within the EU's capitals that the most acute symptoms of the sovereign debt

crisis in Greece and other euro zone countries have been successfully addressed. Apart from addressing immediate crisis issues, EU countries agreed to reinforce existing rules and establish new ones aimed at limiting future accumulation of sovereign debt, which was widely (though not unanimously) considered one of the main roots of the crisis.

However, even after two years of great distress, the EU and its members cannot simply slip from crisis mode into a state of “normality.” While austerity has been the word of the day for the last two years, the challenge now is to reestablish growth, jobs and competitiveness. In this task, several questions remain outstanding: How can EU members strengthen the Union so that it again manages to compete successfully in a globalized world increasingly shaped by emerging powers? Is what has been branded the “European model” – knowledge-based economies committed to social cohesion and environmental sustainability – still affordable? Now that the most acute crisis phase seems to be over, these fundamental issues remain to be addressed.

Although the answer to the crisis has become “more Europe, not less,” EU nation-states remain hesitant to give up or share additional competences in economic and social affairs at the supranational level. And throughout the crisis, centrifugal forces have intensified across the European Union. The United Kingdom and the Czech Republic, which decided not to sign the new “Treaty on Stability, Coordination and Governance in the Economic and Monetary Union” adopted in March 2012 – the former country even forcing other EU members into a legal solution outside of the Lisbon Treaty – are the most vivid examples, but clearly not the only ones. Across the Union, euroskepticism is on the rise, and anti-EU campaigns are gaining ground.

It is fair to ask whether the Union of 27 members has reached the limits of its governability. It will clearly be even more difficult to steer the Union in the future. It was against this background that 17 members of the euro zone ultimately decided to act on their own, and in the course of the fall of 2011 agreed to move toward a “real” fiscal union. For now, the steps being taken in this direction look rather timid, but they will set a course for further activity in the years to come. Under the pressure of the crisis, the euro zone has finally started to complete its dysfunctional economic and monetary union.

Eight non-euro members declared that they want to stay as close as they can to the euro zone “core,” but this cannot mask the fact that being “in” or “out” of the euro zone matters. And it will matter even more in the future, when new modes of governance within the euro zone show their impact. Consequently, there is a risk that the gap between the “core” and the periphery, between the “ins” and the “outs” of the euro zone, will increasingly widen.

How much asynchronicity can the European Union of 27 members handle? Clearly, the internal coherence of the EU-27 will be challenged by this development. But the prospect of a two-speed Europe might not be such a bad thing for the relationship between the European Union and its neighbors. A looser periphery within the EU might create new opportunities for the *external* periphery of the Union.

A two-speed EU might actually be able to deal much better with the countries in its neighborhood than the EU-27 does at present, because the neighbors could more easily become part of a wider European Union essentially defined by the common market.

However, much depends on whether the EU continues a policy of introversion as a response to the crisis in the years ahead, or instead embraces its changing southern neighborhood with fresh ideas for closer cooperation.

External relations in times of austerity: Toward an ever more introverted Union?

How will the crisis impact the European Union's foreign policy? First and foremost, the Union has lost a great deal of credibility and attractiveness over the last two years, not only among its own citizens but also in its neighborhood and around the world. The European Union was once viewed with great interest from both inside and outside its borders, and the prospect of neighborly relations – or in Turkey's case, accession to the Union – was a policy offer that appealed to many leaders and citizens in the southern neighborhood.

Today, many depict the European Union as obsolete, torn apart by widening internal gaps and deficient institutions. Within the Arab neighborhood, many forces formerly in the opposition blame the EU for having prioritized stability interests over its avowed values, cooperating with and thereby perpetuating the power of the old regimes.

European foreign policy must currently operate within the context of this perception. And indeed, its effects have already begun to limit the clout of the EU's external action (see the findings of the European Foreign Policy Scorecard 2012, published by the European Council on Foreign Relations).

Furthermore, efforts to strengthen EU foreign policy, an objective declared by EU members only recently to be a high priority, have lost momentum. EU governments are largely focused on economic and financial issues, and foreign policy has all but fallen off the radar. Of course, this is not to suggest that EU members altogether lack a foreign policy at the moment. But the impetus to strengthen joint EU approaches has lost steam in many of the EU's capitals, despite the promises of the Lisbon Treaty.

EU members' intervention in Libya, complicated by Germany's March 2011 U.N. Security Council opposition to military action, is a good example. So too has been the hesitance to further develop the foreign and security instruments laid down in the Lisbon Treaty (for instance, by engaging in permanent structured cooperation), or the apparent lack of vision in making use of the new External Action Service. EU governments currently appear rather unimaginative when it comes to EU foreign policy – precisely at a point in time when creative thinking is needed with regard to the Union's southern neighborhood, which has begun a transition toward a new, largely uncertain future.

Is it only a question of time before the dust settles over the euro crisis and EU governments again devote more time and resources to a Union foreign policy? Unfortunately, this is far from assured. It is not only the euro zone countries most affected by the crisis that have started to make serious budget cuts. In states across the European Union, austerity measures have been adopted that will mean less money available for expenditure on foreign and defense issues in the future. While this development will indeed require that

more rather than less cooperation take place at the EU level, politically speaking the pressure on EU governments to cooperate has not yet been high enough to compensate for the national cuts.

Clearly, this is not a promising development with respect to the EU's foreign and security policy vis-à-vis its southern neighborhood. For example, if another Libya-like scenario in the southern neighborhood were to emerge, EU countries *are not* currently able to plan and carry out military interventions on their own. Even more importantly, they probably will *not be* able to do so in the future. Moreover, the United States has become much more selective in its engagement in the Middle East and North Africa region. The EU's security relationship with Turkey retains considerable potential, but has not yet launched properly.

In engaging with its southern neighbors, the European Union has had recourse to a number of specific foreign policy instruments carried out largely by EU institutions – notably the European Commission and the European External Action Service (EEAS) – rather than by national governments. These include enlargement policy (in the case of Turkey), the country-specific European Neighborhood Policy (covering Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the Occupied Palestinian Territory, Syria and Tunisia), and the interregional approach of the Barcelona Process/Union for the Mediterranean (UfM).

However, none of these policy approaches has proved particularly successful so far. For a number of reasons within both the EU and Turkey, the prospects for Turkish EU membership have changed rather dramatically since the launch of accession negotiations in October 2005. As a response to the Arab awakening, the European Neighborhood Policy (ENP) was revised in 2011 (see the joint communications of the High Representative and the Commission “A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean” of 8 March 2011, and “A New Response to a Changing Neighborhood” of 25 May 2011).

According to these documents, the Union wants to focus its southern ENP on three “Ms”: money, mobility and markets (for a comprehensive overview

of the measures taken by the EU following the Arab uprisings see “The EU’s Response to the Arab ‘Spring,’ MEMO 11/918, 16 December 2011).

But even though the European Union has increased its overall level of spending, loans and investment in its southern neighborhood since 2011, numbers suggest that this will not be enough to raise the southern ENP to a qualitatively new level. Promises of mobility (in the form of legal migration) and market access are even more questionable for the time being. Visa liberalization is a sensitive issue within the EU, and only time will tell if the proposed deep and comprehensive free trade agreements (DCFTAs) will ever be realized, or will significantly improve southern Mediterranean countries’ access to the EU’s common market.

Finally, the Union for the Mediterranean (UfM) was largely invisible when the Arab awakening started to unfold, and has remained so ever since, despite the growing need for a regional forum for exchange between EU countries and the southern Mediterranean. It is fair to argue that the UfM was never meant to be a political forum, but was rather aimed at facilitating expert cooperation on practical issues such as cleaning up the Mediterranean. However, if there had been a flourishing Euro-Mediterranean expert community at the end of 2010, it might have been able to play a bigger role over the last year and a half in facilitating dialogue and setting up new projects.

Thus, while one has to acknowledge that after the initial stumbles of some of its members – most prominently, France – the EU did develop a response to the Arab awakening rather quickly, it is questionable whether the two documents of March and May 2011 live up to their promise of being a *strategic* response.

Crossing borders: Fresh ideas for the Mediterranean neighborhood

A strategic response to the Arab awakening and to the changing context of EU-Turkish relations would require a depth similar to that of the European Union’s response to the fall of the Berlin Wall. At that time, the Union

adopted enlargement as the strategic tool used to transform the central and eastern European countries, most of which are today EU members.

This is not to suggest that the European Union should offer the ENP countries the kind of membership it once offered to Hungary, Poland or Lithuania – and indeed, to Turkey.

But the Union's response to the changes in its southern neighborhood should take a longer strategic view than what has been adopted by the EU's institutions to date. This is where the member state governments have to come in. This is a time for politics, not for the regulatory approaches on which both enlargement policy and the ENP are based.

The question I want to put is in fact rather simple, and bridges the European Union's internal and external challenges: To what extent can the EU find solutions to its internal malaise through new modes of cooperation with its southern neighbors? Trade, technology, energy, security, demographics and natural resources are only some of the issues that necessarily underlie any such debate. The question is whether, two years into the European crisis, the EU and its members are willing and capable of engaging in fresh, bold, out-of-the-box thinking.

For the last decade, the narrative regarding the southern Mediterranean has been predominantly negative, focusing largely on security concerns. Despite the neighborhood's uncertain future (and giving particular credit to those countries that have embarked on a process that may yield more open political systems and societies), can the European Union's members develop a positive narrative for their neighborly relations with the south Mediterranean? Crossing the conceptual borders that limited the old neighborhood models and developing a new vision for cooperation might give the stumbling Union a much-needed boost.

For the southern neighbors in turn, it might be useful to start thinking of the European Union in a new way: As a result of the crisis, the EU is no longer a monolithic bloc (which in fact it never really was). During the course of 2011, the Union cemented and even accelerated its move toward a "two speed" Europe, with the euro zone forging ahead toward fiscal union. Let us assume for the moment it will succeed. This allows the other 10 EU members

to form a periphery with different levels of ambition. In this context, the European Union's neighbors should take the opportunity to think (or rethink) where they want their place to be in terms of relations with the new European Union.