

Andriy Tyushka

Ivan Franko National University of Lviv
Faculty of International Relations
e-mail: andriy.tyushka@gmail.com
tel. +38 096 433 4230

Challenge by change or challenge for change? Strategic implications of ‘Eurogeddon’ for the European Union’s foreign and security policies

*Europe will be forged in crises,
and will be the sum of the solutions adopted for those crises.*

Jean Monnet, *Mémoires*, Paris 1976

Summary. The ‘Eurogeddon’, an ephemeral but no less terrifying conception of the euro zone crisis that erupted within the broader context of global sovereign debt crisis, has cast new lights and shadows over Europe’s financial stability and strategic capability. Beyond the inherent economical effects, it has already wielded a range of short-term strategic and geopolitical consequences. With this situation still in flux due to the uncertainty of duration and course of the crisis, mid- and long-term strategic implications for the European Union’s action at the regional and, more so, the global level need to be given serious consideration. That being said, this article aims in its main four parts at: first, demystifying the crisis as allegedly purely economic phenomenon; second, attempting to conceptualize and contextualize it; third, exploring inherent strategic implications of the crisis for Europe’s positioning vis-à-vis regional and global power competitors, called herewith as five ‘lessons’ given; fourth, explaining both actual and potential, direct and indirect consequences for the EU’s image as a strategic actor and its foreign, security and defence policies, as derived from unveiled implications; and finally, deriving some of the crucial strategies needed for the European Union to manage the crisis consequences and implications in a strategically challenged Europe, and therefore adopting a twisted strategic approach to ‘think global – act European’.

Key words: global and European crisis, ‘Eurogeddon’, strategic implications, EU security challenges

Introduction

The visioning of Europe's destiny by one of the founding fathers and chief architects of united Europe, as cited in the epigraph, appears to already have been materialized at the present time. There is much talk today about the European Union becoming a strategic actor, while history ironically unveils it to have been a recurrently tragic actor. One of the most recent and truly crude scenarios for this tragic actor, has been generated by the global financial crisis that, in a perplexing manner, spilled over the EU's endemic predisposition to crises – be those economic, political or social.

Five years into the most serious political and economic crisis to have ever afflicted the European Union since its creation, the EU's crucial internal policies (including monetary union) have been derailed, key strategic projects (including neighbourhood policy) have undergone complications, and international positioning vis-à-vis global power competitors (like US, Russia and China) have been negatively affected. Is, then, all talk about the Union as a strategic actor really cheap? To put it bluntly in the words of Grevi¹, is the EU “a spent force on the global stage”? In the European Commission's annual address to the European Parliament, “State of the Union Address 2013”, the Commission's president José Manuel Durão Barroso states that exactly five years ago, the global financial crisis started, “[b]ut Europe has fought back”². Despite this however, the MEPs found themselves unimpressed³ and the wider public unconvinced⁴, whereas academia, for obvious reasons of timing, is so far quasi unengaged.

One would, however, have to carefully look for the lack of appropriate attention, on the part of the European political scholarship, to the global and European financial crisis that – in truly “fateful times”⁵ – has triggered a challenge for the current and future posture of the EU as an international strategic actor. Although the front pages of European and other world leading newspapers have long captured both the

¹ G. Grevi, *Introduction: Renewing EU Foreign Policy*, in: *Challenges for European Foreign Policy in 2013: Renewing the EU's Role in the World*, FRIDE, Madrid 2013, p. 15.

² J.M. Durão Barroso, State of the Union Address 2013, *Speech of the European Commission President J.M.D. Barroso at the Plenary Session of the European Parliament in Strassbourg*, September 11, 2013 (SPEECH/13/684), http://europa.eu/rapid/press-release_SPEECH-13-684_en.htm [11.09.2013], p. 2.

³ Cf. D. Vincenti, *MEPs unimpressed with Barroso's state of the Union*, “EurActiv”, 11 September 2013, <http://www.euractiv.com/future-eu/meps-unimpressed-barroso-state-u-news-530388> [11.09.2013].

⁴ Cf. *Barroso leaves public unconvinced*, “PressEurop”, 12 September 2013, <http://www.presseurop.eu/en/content/press-review/4138511-barroso-leaves-public-unconvinced> [12.09.2013].

⁵ J. Habermas, *The Crisis of the European Union: A Response*, Polity Press, Cambridge 2012, p. 119 [First published in German as *Zur Verfassung Europas. Ein Essay* by Suhrkamp Verlag, Berlin 2011].

global and European (euro zone's) crisis in their headlines, European political scholarship has ironically kept silent⁶, however this is not the same reaction to the matter by the economic academia. Quite recently, since late 2011, the political scientist community revealed some initial investigations into the issue at hand⁷.

Presently, it became evident that the financial crisis, which erupted in the United States in 2007/2008 and then spread rapidly around the world, cast new lights (or rather new shadows) over Europe's financial stability and strategic capability. This unparalleled economic crisis has positioned the European Union in a place with serious material challenges, but also with an opportunity for reflection and change. The causes and effects of the current financial crisis will certainly be debated for years to come. This is not only due to the continuation of the euro zone's crisis of confidence over sovereign debt, but is also heavily linked to serious economic, political and strategic implications that the crisis generates for Europe and much of the world.

In his strategic vision of the crisis facing the European Union and Europe as a whole, Pedro Solbes, the President of the famous Spanish think-tank FRIDE, fore-

⁶ Except that cf.: C. Bastasin, *Partisan Protectionism: Political Consensus, the Euro and Europe's Response to the Global Crisis*, in: *The European Union in the 21st Century: Perspectives from the Lisbon Treaty*, eds. S. Micossi, G.L. Tosato, CEPS, Brussels 2009, pp. 7-30; *The European Union in the 21st Century: Perspectives from the Lisbon Treaty*, eds. S. Micossi, G.L. Tosato, CEPS, Brussels 2009.

⁷ Cf. e.g. G. Grevi, *Geo-economic and Global Governance*, in: *Challenges for European Foreign Policy in 2012. What kind of geo-economic Europe?*, eds. A. Martiningui, R. Youngs, FRIDE, Madrid 2011, pp. 27-36; Ch. Mölling, S.-Ch. Brune, *The Impact of the Financial Crisis on European Defence*, "Study for the European Parliament, Directorate-General for External Policies", April 2011 (EXPO/B/SEDE/FWC/2009-01/LOT6/11), <http://www.europarl.europa.eu/document/activities/cont/201106/20110623ATT22404/20110623ATT22404EN.pdf> [16.05.2012]; B. Brunalas, *European Union Crisis: Destructive or Creative?*, 2011, <http://www.geopolitika.lt/?artc=5003> [3.07.2012]; M. Dassù, *Foreign Policy in the Age of Austerity: Restoring Europe's Economic Strength*, "Carnegie Europe", 7.10.2011, <http://carnegieeurope.eu/publications/?fa=45683>, [14.06.2012]; M. Emerson, *Implications of the Eurozone Crisis for EU Foreign Policy: Costs and Opportunities*, "CEPS Commentary", 1.06.2012; J. Habermas, op. cit.; *Challenges for European Foreign Policy in 2012. What kind of geo-economic Europe?*, eds. A. Martiningui, R. Youngs, FRIDE, Madrid 2011; D. Fiott, *The Geopolitical Implications of the Eurozone Crisis: The Case of the Common Security and Defence Policy*, "Paper presented at the UACES 42nd Annual Conference 'Old Borders – New Frontiers', Passau, 3-5 September 2012", <http://uaces.org/documents/papers/1201/fiott.pdf> [12.05.2013]; P. Żurawski vel Grajewski, *Wpływ kryzysu w strefie Euro na Wspólną Politykę Zagraniczną i Bezpieczeństwa oraz Wspólną Politykę Bezpieczeństwa i Obrony Unii Europejskiej: Ocena przydatności instrumentarium unijnego z punktu widzenia jego użyteczności jako narzędzia polskiej polityki zagranicznej*, "Analizy Natolińskie", 5(57), Centrum Europejskie Natolin, Warszawa 2012; J. Techau, *European Foreign Policy and the Euro Crisis*, "Carnegie Europe", 29.02.2012, <http://carnegieeurope.eu/publications/?fa=47329> [26.06.2012]; T.G. Ash, *The Crisis of Europe*, "Foreign Affairs", 16 August 2012, <http://www.foreignaffairs.com/articles/138010/timothy-garton-ash/the-crisis-of-europe> [18.09.2012]; G. Grevi, *Introduction: Renewing EU Foreign Policy*, in: *Challenges for European Foreign Policy in 2013: Renewing the EU's Role in the World*, eds. G. Grevi, D. Keohane, FRIDE, Madrid 2013, pp. 15-22; I. Solty, S. Gill., *Krise, Legitimität und die Zukunft Europas*, "Das Argument – Zeitschrift für Philosophie und Sozialwissenschaften", 2013, 301, pp. 82-94.

told⁸ that “[t]he year 2013 will be a time for realism and ambition in Europe”, which is quite accurately the way it had been during that year. Unfortunately, there are no reasons not to believe, that “[t]he consequences of the economic crisis that is straining the political and social fabric of the European Union will continue to be felt”, as Solbes⁹ further suggested. The euro zone crisis has, thus far, been brief, so the phenomenon known as ‘Eurogeddon’, has not yet come into full form and shown its full-length profile. As Fiott¹⁰ convincingly argues: “The euro zone crisis is still ongoing and it remains a threat not only to the existence of the Eurozone, but also to European unity”.

Against this backdrop, I believe it is quite a timely endeavour to analytically analyze the endemic crisis that afflicts the European Union, and reveal what challenges it poses for the EU’s foreign and security policy, and explain why we should bother to do so. This article does not attempt to provide a comprehensive explanation of the causes of the financial crisis, or its essence in material and economical terms, nor will it mathematically model its development, since there already exists quite a considerable range of expert econometric analytics addressing these issues. It aims instead to unveil certain inherent strategic implications of the crisis for the European Union’s action in international relations. With that in mind, the article shall present, along with an explanation of a broader strategic context of the crisis, the lessons already given to the EU through the system of multi-level regulatory governance, and the lessons the Brussels-hearted Europe will have to learn. I will deliberately refrain from calling the lessons given as ‘lessons learnt’, since I believe this is still, to a greater extent, the European Union’s pending homework to learn what has been taught by economic stringency in a genuinely shocking and overarching manner within the most recent five years. Therefore, it would rather make more sense to speak about the ‘lessons to be learnt’ instead. Taking into consideration the strategic implications and impacts of the crisis, it will be too soon to tell at the present time about the true effects of these lessons. With his famous response to a question about the impact of the French revolution, the Chinese diplomat Zhou Enlai once coined a quasi ‘universal answer’ for any question on strategic implications – “It is too soon to tell”. Although this answer-building formula is nowadays increasingly used and overused, it certainly applies to the words of Setser¹¹ about virtually “any attempt to assess the strategic impact of the financial crisis”, especially in regards to mid- and long-term effects.

⁸ P. Solbes, *Preface to FRIDE Annual Publication 2013*, in: *Challenges for European Foreign Policy in 2013: Renewing the EU’s Role in the World*, eds. G. Grevi, D. Keohane, FRIDE, Madrid 2013, p. 11.

⁹ Ibidem.

¹⁰ D. Fiott, *The Geopolitical Implications of the Eurozone Crisis: The Case of the Common Security and Defence Policy*, “Paper presented at the UACES 42nd Annual Conference ‘Old Borders – New Frontiers’, Passau, 3-5 September 2012”, <http://uaces.org/documents/papers/1201/fiott.pdf> [12.05.2013], p. 2.

¹¹ B. Setser, *Strategic Implications of the Financial Crisis*, in: *The Strategic Consequences of the Global Financial and Economic Crisis*, “European Security Forum Working Paper”, no. 31, March 2009, p. 8.

1. 'Eurogeddon': Myths and Misconceptions

Doctors always say that a correct diagnosis is the key to recovery. In a similar manner, identification of a problem makes the problem solvable. Initially, some member states of the European Union perceived the financial crisis as "a purely American phenomenon", as carefully observed by Jackson¹². That viewpoint has changed as economic activity in the EU has declined at a fast pace over a short period of time, with declining global trade further eroding prospects for European exports that usually provide "a safety valve for domestic industries"¹³. For example, it took just a few months of an unanticipated financial crisis to wipe out most of the growth and employment benefits generated by the previously endorsed "EU-2020" strategy. Unanticipated, and thus misperceived, the financial crisis revealed aggravating consequences, which exceed the genuinely economical realm of the European Union governance. Myths and misconceptions, most definitely, only heightened the burden of economic stringency in Europe. The first and foremost misconception about the crisis in Europe revolved all around its monetary symbol, the Euro, and implied – according to Dadush¹⁴ – a misbelief that "it's a fiscal problem".

Another misconception was that Europe was rich enough to be able to fix the problem on its own. Both misconceptions appear as myths, especially from the present day perspective, when the ongoing euro crisis still dominates the Union's agenda. This reveals external political implications of Europe's economic turmoil, since what happens in Europe echoes with significant repercussions in other regions of the highly interdependent world, on both sides of the Atlantic. After much wrangling, the Europeans eventually agreed on mechanisms to stabilize economic situation in the European Union. Seventeen countries using the euro as common currency agreed on October 27, 2011 to strengthen the measures they were taking to deal with the debts of Greece and to insure against debt problems in other member countries. This then led to the signing of the Treaty establishing the European Stability Mechanism (ESM) on February 2, 2012. As of June 2012, only nine of seventeen signatories of the treaty have ratified it, and thus the launch of the ESM that was planned for July 2012 has been postponed. It was only the 27 of September in 2012, when sixteen euro zone' member states had ratified the ESM Treaty and it came in force (except for Estonia that joined the treaty afterwards, with ESM entry coming into force for

¹² J.K. Jackson, *The Financial Crisis: Impact on and Response by the European Union*, "CRS Report for Congress R40415", 24.06.2009, www.crs.gov [18.06.2012], p. 1.

¹³ Ibidem.

¹⁴ U.Dadush, *Five Great Misconceptions About the Euro Crisis*, "TheNationalInterest", 10.11.2011, <http://nationalinterest.org/commentary/five-great-misconceptions-about-the-euro-crisis-6143> [20.06.2012].

the country on October 4, 2012). Even the lesser success surmounted so far the stabilizing European Fiscal Compact, concluded between twenty five of twenty eight member states, with the UK, Czech Republic and Croatia having decided not to become signatories; by July 2012, only four of the signatories had ratified the treaty; at present, two signatories have still not ratified the document. The strategies entailed in concepts of both treaties are officially meant to overcome the public debt crisis in the euro zone and unofficially call Europe back to life from falling, as it has been repeatedly reminded by German Chancellor Angela Merkel: "If the euro fails, then Europe fails".

The European financial crisis, or 'Eurogeddon' as it has been widely reckoned, has therefore wreaked havoc not only on the cohesion of the EU and the global economy, but additionally on the coherence of interests and policies inside the European Union and the unity of Europe as an international actor *per se*. Consequently, the European Union has faced, along with "domestic" economical troubles, significant foreign policy challenges. These included the escalating conflict in Syria and other issues of the longest lasting political spring, the "Arab spring", raising tensions with Iran and troubled reassertion of the Union's (geo)political role with its nearest neighbourhood. Only with these wide spectral conceptual lenses on, it appears possible to assess strategic underpinnings and implications of the European financial crisis.

The crisis usually means loss or decrease of stability and vitality of something, which leads to negative evaluation of a crisis-driven effect. But Brunalas¹⁵ poses a well-timed inquiry: "[D]oes political, economic or social crisis necessarily mean a loss? Couldn't it bring something new and more valuable?"¹⁶. This question reasonably welcomes to reflect on lessons taught by the crisis and perfectly introduces the next piece of this article, elaborating on the lessons to be learned. This is because the European Union is an alleged 'crisis manager' and this financial crisis, with global roots and crowns, should also have had urged it to search for a positive counteraction to the shocking situation. One of the prominent contemporary critical minds, German philosopher Jürgen Habermas anticipated in this vein that the crisis could be a chance for change as well: "Beyond this, however, the crisis could also be the harbinger of a changed political climate in Europe"¹⁷. Therefore, this leads to the main issue of this article: Is this crisis for the European Union as a strategic actor a challenge *by* inherent change or rather challenge *for* desired change?

¹⁵ B. Brunalas, *European Union Crisis: Destructive or Creative?*, 2011, <http://www.geopolitika.lt/?artc=5003> [3.07.2012].

¹⁶ Ibidem.

¹⁷ J. Habermas, *op. cit.*, p. 104.

2. 'Eurogeddon': Conception and reflections on the lessons (to be) given

German Chancellor Angela Merkel consistently treated the European financial crisis as a tough plight while saying that Europe is facing its "biggest crisis since World War II"¹⁸ and that the collapse of the euro would spell the end of the EU. As Leonard¹⁹ denotes, "[i]t is becoming clear that the roots of the euro crisis are political rather than economic":

The 2008 financial meltdown may well give birth to one of the great moments of political realignment – bigger even than 1917, 1945 or 1989. Europe's governing class will hope that the new forces in Europe will implode once they are forced into power – but as Arnie's *Terminator* films showed, a destructive force, once unleashed, can be nearly impossible to destroy²⁰.

For Ash²¹, there is no doubt that the euro crisis shall be understood as "the" crisis of Europe!

Why one should formulate such an equation, and which variables define the notion, is obvious but also complex to explain, and inevitably gives rise to a *claire-obscure* understanding of the phenomenon. Fiott²² offers a concise matrix of six major factors that make up a 'vicious circle' of the crisis beast:

The "euro zone crisis" is an abstract term which fails to adequately describe the various factors that have hit the euro zone members and the EU. The crisis can be explained through at least six major, and mutually reinforcing, factors (one can call it 'a vicious circle'): financial speculation, public debt, fiscal consolidation, structural imbalances, global economic crisis and a lack of governance²³.

It is moreso complicated for the European Union to define and manage this 'unleashed' crisis as it emerged in a wider international and global context, the context of *a changing world*. The world is undergoing a truly fundamental transformation at the moment, the effects of which last for several decades and is purportedly characterized by *a* reconfiguration of power. With the rise of new intrinsically influential regional players, as i.a. the European Union itself, the world is

¹⁸ Quoted after: J. Ewing, *German Lawmakers Back Merkel on Euro Rescue Measures*, "The New York Times", 26.10.2011, <http://www.nytimes.com/2011/10/27/business/global/merkel-implores-german-lawmakers-to-back-euro-rescue-measures.html?pagewanted=all> [12.06.2012].

¹⁹ M. Leonard, *Terminating the European Status Quo*, "Reuters Opinion", 5.07.2012, <http://blogs.reuters.com/mark-leonard/2012/07/05/terminating-the-european-status-quo/> [8.07.2012].

²⁰ Ibidem.

²¹ T.G. Ash, *The Crisis of Europe*, "Foreign Affairs", 16 August 2012, <http://www.foreignaffairs.com/articles/138010/timothy-garton-ash/the-crisis-of-europe> [18.09.2012].

²² D. Fiott, op. cit.

²³ Ibidem, p. 1.

becoming increasingly multipolar while fighting the ghosts of former bipolarity and the illusions of unipolarity depicted by recent geopolitical narratives. In this changing world, the EU is increasingly becoming both a relevant and an impact-prone actor: While enjoying the status of a key player on the global stage, the Union is permanently confronted with the nasty consequences of such *leadership*, including meeting the challenges of coherent action. The latter challenges create imperatives for the EU to increase internal integration, but also those of externally driven integration in the global economy. Significantly, it was geoeconomics that caused a constellation under which “[t]he crisis threatened to reopen an east-west divide in Europe”, as believe Tiersky and Oudenaren²⁴, and thus change *the* current status quo.

Against such a backdrop of geopolitical and geoeconomical change implied worldwide, the European Union shall certainly emerge from this crisis accordingly forever changed. *Transformations in the European Union but also of the EU per se* evoked by the financial crisis are indeed sought to make a new imprint on the Union’s image as *the* strategic actor on the global stage. The lesson of the financial crisis elucidated ailments of European integration like decreasing coherence and competitiveness, institutional stagnation, and the rise of populism, rather than accusing the monetary policy of the European Union as being the one and only fault. The EU has been urged therefore to find long-term solutions with wide-ranging systemic effects, at least commensurate to the toll the euro zone’s crisis had wielded on the Union’s external relations. As Emerson²⁵ contends, “Europe, or more precisely the euro zone, has become a big problem for the world economy” which “has profound implications for European foreign policy”. Even if Techau²⁶ reassures that “[i]n the short term, the impact of the euro crisis on Europe’s ability to act abroad as a foreign policy power has been remarkably small” – while Europe reacted very swiftly to the ‘Arab spring’, and has been able to react on the Iran case, Europe admittedly, has been continued to be anaemic on all of the other issues that it has traditionally been weak on, – the experts believes that “[i]n the long run, how strongly the euro crisis affects Europe’s economic situation will play a major role in Europe’s ability to become a strategic power worldwide”²⁷:

Europe’s power relies on its economic strength and on its soft power model of integration, sovereignty, bargains, and whether nations give up sovereignty in order to regain some on the other hand. If the Europeans suffer from the euro crisis, if their economic

²⁴ *European Foreign Policies: Does Europe Still Matter?*, eds. R. Tiersky, J. Van Oudenaren, Rowman & Littlefield, Lanham, Maryland 2010, p. 151.

²⁵ M. Emerson, *Implications of the Eurozone Crisis for EU Foreign Policy: Costs and Opportunities*, “CEPS Commentary”, 1.06.2012, p. 1.

²⁶ J. Techau, *European Foreign Policy and the Euro Crisis*, “Carnegie Europe”, 29.02.2012, <http://carnegieeurope.eu/publications/?fa=47329> [26.06.2012].

²⁷ Ibidem.

wealth goes down, if their entire buying power goes down, if they become less influential around the world as a trading bloc, then this will inevitably also have an impact on how they are being perceived abroad, on their credibility, and on their sheer political power. So in the short term, small impact; in the long run, a potentially very big one²⁸.

Strategically, the immediate consequence of the euro zone crisis is, in Emerson's²⁹ words, "the degradation of the reputation of the European Union as a whole on two accounts: as a model of competent economic policy management, and as a model of enlightened regional integration". Although the '*Eurogeddon*' indirectly caused *damage to the EU's image as a well-governed entity*, which is an important basis for the European Union's attraction as a soft power, the financial crisis, with a hearth in the euro zone, has wielded in addition, further directly impacted the external relations of the European Union. It has absorbed a lot of member states capacity to deal with international affairs. This casualty also applies to the European Union itself, with its large (and, thus, resource consuming) European External Action Service. The factors include i.a. time and resources available for foreign policy, access to the EU's market, and etc. There are also pronounced reports of the US global footprint, set to decline due to budget cuts, which for the European Union means having to take more responsibility for its own and regional security. Subsequently, the crisis transformed the European Union into a temporarily insular player, whose external relations appeared rather as an afterthought, at the mercy of others. As such, the European Union would hardly be able to influence the world according to its principles, values and interests. Hence, investment in foreign policy is an investment in the long-term viability of European freedom, prosperity, and security. And this fundamental lesson has been lustrously given by the financial crisis.

3. The '*Eurogeddon*', the European Union and the lessons (still not) learnt

Reflecting on the lessons of the crisis, Jürgen Habermas argues: "In and of itself, a change in mentality is no reason for reproach; but the new indifference has implications for our political perceptions of the challenges ahead. Who is really willing to learn the lessons from the banking crisis so eloquently enshrined in the declarations of intent of the G-20 summit in London over a year ago – and to fight for them?"³⁰. It would be reasonable to question who would be willing to learn the lessons taught within the crisis 'crash course' as outlined below?

²⁸ Ibidem.

²⁹ M. Emerson, op. cit., p. 1.

³⁰ J. Habermas, op. cit., p. 125.

Lesson one: Ex unitate vires! As old as the saying itself, the fundamental need for cooperation has been probably the most valuable lesson imparted by the crisis to Europeans. Indeed, “the common feature that links the euro crisis to the recurrent flaws of the EU’s international action is the lack of sufficient political solidarity”, as Dassù³¹ remarks. To become a more strategic global player in order to protect its own interests, the European Union needs first to be drawn together. As Techau³² contends, “[t]he fundamental lesson from the euro crisis is that Europeans will not be able to cope with their own crises or with crises around the world if they don’t stand together and act as one”. Therefore, leaving Greece with its economic issues, outside the euro zone (and the EU itself, as it has been widely debated in European societies), was certainly not *the* solution for the European Union, since later on Spain, Italy and perhaps other countries more heavily affected by the crisis may have taken this “Hellenic path”. Only united, Europeans managed to devise a solution, with the European Stability Mechanism and the Fiscal Compact as main achievements, which – although underwent a hazardous ratification – present a symbol of common and united reaction. A kind of such a symbol would certainly be needed to ascertain the EU’s role as a strategic actor in the international arena via its Common Foreign and Security Policy, including the Common Security and Defence Policy. In this domain, a unilateral action is obviously not a proper *modus operandi* for a united Europe, and Europeans have made up their minds, although so far they have not implemented these plans fully. In their study for the European Parliament, Mölling and Brune³³ put it straightforward: “EU Member States are unable to guarantee their security by acting unilaterally in the face of threats in the neighbourhood and further afield”³⁴.

The practice of European policy-making in the field unveils instead that “[t]here are those who claim that a weaker Europe would make their country stronger, that Europe is a burden; that they would be better off without it”, as noted by Barroso³⁵ in the current ‘*State of the Union Address 2013*’. The Commission’s president made his institution’s point unambiguous understandable: “My reply is clear: we all need a Europe that is united, strong and open”³⁶. In the context of the lesson ‘*Ex unitate vires!*’, it is interesting to note how frequent José Manuel Durão Barroso has called for unity in the 2013 address to the European Parliament. To be exact, he used the term ‘together’ nineteen times, ‘united’ twice and ‘unity’ once,

³¹ M. Dassù, op. cit.

³² J. Techau, op. cit.

³³ Ch. Mölling, S.-Ch. Brune, op. cit.

³⁴ Ibidem, p. 9.

³⁵ J.M. Durão Barroso, *State of the Union Address 2013, Speech of the European Commission President J.M.D. Barroso at the Plenary Session of the European Parliament in Strassbourg*, September 11, 2013 (SPEECH/13/684), http://europa.eu/rapid/press-release_SPEECH-13-684_en.htm [11.09.2013], p. 9.

³⁶ Ibidem.

which totals twenty-two calls for united action on 13-paged document. A result might be seen with the repeated call for a *political union* (mentioned for the first time in Barroso's 2012 address to the European Parliament): "I believe a political union needs to be our political horizon..."³⁷.

Lesson two: Multipolarity on track. Yet in the middle of the crisis it seemed to be obvious that it "will hammer the final nail into the coffin of the 'unipolar moment'", as figuratively presented by Youngs³⁸, "[f]or analysts who have long seen the liberal world order underpinned by US hegemony, this is seen as a harbinger of global instability"³⁹. For the European Union's foreign policy and strategy of external action, with its support for ordered multilateralism, multipolarity presented both a challenge and an opportunity. The casualty of emerging multipolar order implies its instability and uncertainty. To Dassù⁴⁰, "[i]t is a fact that Europe – and the entire Western world – is confronted with an unstable multipolar setting and diminishing resources to tackle it. Austerity is not only perceived, it actively constrains choices – and will do so for a number of years"⁴¹. To face the challenge of multipolarity, the Union has to strengthen its role as a global actor *from within*. Not surprisingly therefore, that "[s]alvation of the euro is going to require a federalistic strengthening of the economic competences at least of the euro zone, and probably in some degree for the EU as a whole. Europe's foreign policy planners should be at work on how to follow this through synergetically with rationalisation and strengthening of the EU's role as global actor"⁴².

Lesson three: Geoeconomics is back. The imperatives derived from the European financial crisis and global power shifts require a more assertive focus on immediate economic interests. The 'return of geoeconomics' has been repeatedly heralded both by scholars and politicians. Geoeconomics is back, "[...] and will be at the forefront of EU external relations in 2012", as Grevi⁴³ as predicted a year earlier. The author further argued that "[t]his is because of the momentous redistribution of economic and political power in the international system, the consequent shift of trade and investment patterns, and the ensuing competition for resources to sustain growth. Sustainability was nowhere as central to geoeconomics in the past as it is today, now that the so-called age of convergence

³⁷ Ibidem, p. 10.

³⁸ R. Youngs, *How will the Financial Crisis Affect EU Foreign Policy?*, in: *The Strategic Consequences of the Global Financial and Economic Crisis*, ESF Working Paper, no. 31, March 2009, Brussels 2009, pp. 3-7.

³⁹ Ibidem, p. 5.

⁴⁰ M. Dassù, op. cit.

⁴¹ Ibidem.

⁴² M. Emerson, *Implications of the Eurozone Crisis for EU Foreign Policy: Costs and Opportunities*, "CEPS Commentary", 1.06.2012, p. 2.

⁴³ G. Grevi, *Geo-economic and Global Governance*, in: *Challenges for European Foreign Policy in 2012. What kind of geo-economic Europe?*, eds. A. Martiningui, R. Youngs, FRIDE, Madrid 2011, p. 29.

(of living standards and consumption habits) meets the age of scarcity (of energy, food and water, among other commodities)”⁴⁴. Control over energy flow is a crucial element in the geoeconomic strategies of such powers as Russia, China and the United States. “This was not the case for the EU until very recently”, as Shapovalova⁴⁵ holds. Respectively, the geoeconomics of energy “will require the EU to build a far stronger foreign policy presence in the Caspian region”, and “[t]he increasing importance given to natural gas will be factored into European governments’ energy calculations as their crisis stricken economies search for cheaper and diversified supplies”, as Shapovalova⁴⁶ contends. This geoeconomic turn in international relations, evoked by the globally echoed financial crisis, can potentially mark a *U*-turn from the previous prevalence of 27 (from recently – 28, since Croatia joined the Union on 1 July 2013) distinct national strategies and opportunistically facilitate the Union’s positioning as a united player. First and foremost, in the crucial energy field, as the Union actually attempted to do while negotiating in September 2011 a treaty between the EU, Azerbaijan and Turkmenistan envisaging the construction of a Trans-Carpathian pipeline system.

Lesson four: The state is back. The fiscal crisis soon revealed that the role of the state has been strengthened both vis-à-vis a weakened private sector and *moreso* in relation to regional and global institutions. This process further develops, despite the widely acknowledged need for multilateral response to the perplexing European and global crisis. What further complicates the matter, is the ‘return of state’ and sharper statist character of foreign policies has infected the international system as a whole. In *‘Every Nation for Itself: Winners and Losers in a G-Zero World’* (2012), Bremmer makes this point quite clear in regard to the G20 formation. In the European context, this rising trend emerged from, at the least, an unimpressive performance of governance of the EU institutions. Instead and “[f]ar from providing an opportunity for better coordination, the global financial crisis has accentuated national differences among the member states of the EU”⁴⁷. Hence, even with the European Central Bank, a common central bank, the European Union has yet been unable to effectively coordinate fiscal policy. The member states interpreted EU’s incapacity at first as a call for “save yourself” national strategies. And the call has been paradoxically and chaotically followed. As if it was not difficult enough, the current crisis provided substantial evidence

⁴⁴ Ibidem.

⁴⁵ N. Shapovalova, *Reaching out to the Caspian*, in: *Challenges for European Foreign Policy in 2012. What kind of geo-economic Europe?*, eds. A. Martiningui, R. Youngs, FRIDE, Madrid 2011, p. 95.

⁴⁶ Ibidem, p. 93.

⁴⁷ C. Bastasin, *Partisan Protectionism: Political Consensus, the Euro and Europe’s Response to the Global Crisis*, in: *The European Union in the 21st Century: Perspectives from the Lisbon Treaty*, eds. S. Micossi, G.L. Tosato, CEPS, Brussels 2009, p. 7.

of the domination of national perspectives and nationalist policies, with populism and nationalism as consequences on the rise. According to Youngs⁴⁸, “[a]s a result of the crisis and intense competition from rising powers, [...] the focus on geoeconomics will tip the scales even more towards bilateralism and away from common EU approaches”. The crisis has revealed that the competition is increasing between the EU member states themselves, especially for commercial access to emerging markets, and that this has not been accompanied by coordination measures of equal weight at the European Union level. This certainly affects the EU’s external relations in terms of coherent and unitary actions whereas it also seriously challenges the European Union as a regulatory system seen throughout. In a strategic perspective, this created for Europe a new urgency to dominate inter-governmental linkages, instead of advancing ideals of supranational foundations for European integration and Europe’s action on the world stage.

Lesson five: Crisis of leadership is endemic. The resulting international financial crisis raised new questions about Europe’s position as an international leader while having tested its collective institutions for viable crisis management solutions. This crisis testing occurred against the global background of failures and – what counts more – successes pursued by the other powers, which are major regional players. So, Tiersky and Jones⁴⁹ maintain that “[t]he speed with which China and the other ‘BRICS’ (Brazil, Russia, India, China, and South Africa) recovered from the crisis was widely seen as marking a shift in relative power from the West – Europe and the United States – to the emerging markets of the developing world”. Though questioning and subsequent de-legitimization of Western leadership in general and US-American predominance in particular, the crisis also had the effect of scarifying the European Union’s comparative advantage (or “relative gains”, as realists would say) as a global player. A certain American idea of unbri-dled capitalism has clearly fallen out of favour as the crisis unfolded, and a discussion of alternatives revived, even in the United States. At the same time, Asia has shown every sign of remaining fully attached to a vigorous capitalist model and has managed it comparatively quite successfully – one has to admit. Whereas the European Union, with the crisis accentuating the trend in its domestic and foreign policies, experienced pressures in favour of protectionism. Yet not quite having retreated from liberal cosmopolitanism, which constituted a source and a mode of the Union’s leadership, the strategic position of the EU has nevertheless been injured. This happened as a result of pulling back from the serious promotion of a liberal democratic order, especially in the direct neighbourhood, caused by the overall economic stringency in Europe as the first and hopefully the biggest crisis

⁴⁸ *Challenges for European Foreign Policy in 2012. What kind of geo-economic Europe?*, eds. A. Martiningui, R. Youngs, FRIDE, Madrid 2011, p. 15.

⁴⁹ *Europe Today: A Twenty-First Century Introduction*, eds. R. Tiersky, E. Jones, 4th ed., Rowman & Littlefield Lanham, Maryland 2011, p. 299.

of the euro zone thus far. In this context, Bastasin's⁵⁰ argument would reasonably reinforce the next line of thinking shared herewith. The European crisis shouldn't be understood as a single-issue or single-sector problem, but that it endemically implies distinct issues, such as 'crisis in consensus', 'crisis in politics', 'crisis in leadership' that complement a well-recognizable *façade* of the 'financial and economic crisis', with it's a related eventual 'crisis in legitimacy'. The ability of the European Union to rise to the challenge of an economic recession and political instability within an integrated and institutionalized Europe, as well as outside of its boundaries is therefore crucial for providing regional leadership, especially on Europe's eastern periphery.

4. Strategically cha(lle)nged Europe: Lessons resumed

To sum up, the financial crisis has expectedly resulted in *direct economic consequences* and thus reinforced the weaknesses of both the European economy and the euro itself. It has challenged concurrently the strategic status of the European Union, and thus wielded *indirect geopolitical and geostrategic implications*, from shrinking resources for international engagement to a greater endemic propensity for conflict. Many voices, discerning tectonic shifts in power not only in Europe, but worldwide as well, have suggested that the crisis is likely to mark a turning point in international relations of the same magnitude as those produced by the fall of the Berlin Wall and the attacks of 9/11. Many have predicted a weakening of support for economic liberalism beyond the immediate banking crisis. Many also have seen the crisis triggering a fundamental shift in the global balance of power affecting the liberal political values that ostensibly lie at the heart of European foreign policies. Thus Dassù⁵¹ reasonably argues hereto that "[t]here can be no effective foreign policy or external projection for Europe unless the core economic strength and vitality of the continent are restored. We all live in an era of austerity, but Europe inhabits a world where its influence will steeply decline if current trends continue"⁵². Indisputably, Europe's decline is at the forefront of an entire policy debate in the European Union and far beyond it.

Political as well as public and academic discourses revolve around the same axiomatic claim: "*The euro will decide the fate of the European Union*"⁵³. At first glance, this assertion can be considered declaimed. However, there exists

⁵⁰ C. Bastasin, *Partisan Protectionism: Political Consensus, the Euro and Europe's Response to the Global Crisis*, in: *The European Union in the 21st Century: Perspectives from the Lisbon Treaty*, eds. S. Micossi, G.L. Tosato, CEPS, Brussels 2009, pp. 7-30.

⁵¹ M. Dassù, op. cit.

⁵² Ibidem.

⁵³ J. Habermas, op. cit., p. 119.

a pertinent and direct linkage that justifies anticipation of a directly proportional variation between the developments in European economy and EU's role as such, as quite well founded unveiled by Mölling and Brune⁵⁴, Fiott⁵⁵, and Żurawski vel Grajewski⁵⁶. Eventually, it is logical that the euro crisis “in an obvious manner *has to have effects* on other domains of European integration”, as stated by Żurawski vel Grajewski⁵⁷. Both direct and indirect – thus traceable – ***strategic implications for European Union's foreign and security policy*** shall be derived from the nexus of negative consequences along the linkage line ‘euro zone crisis – geopolitics/geoeconomics – CFSP/CSDP’:

Firstly: *The impaired image of the European Union as both a strategic and leading geopolitical actor in international relations*. This is perhaps the first and most spectacular short-term effect of the crisis. A widely acknowledged leadership crisis in Europe, severely reinforced by the legitimacy crisis – afflicting the EU since its creation – has so far accounted for leaving Europe outside of the cohort of truly capable and credible powers in a multipolar world, and thus weakened the European Union's position vis-à-vis other global power competitors.

Second: *Common foreign policy that shall underpin the EU's CFSP has even further internally weakened and become diffused*. Material basic for the Common Foreign and Security Policy has been significantly reduced due to the imperative cutbacks of the European debt crisis, wherefore the CFSP itself dropped in rank for the Union's objectives hierarchy. As a result, the EU's ability to prioritise and implement foreign policy goals under conditions of dwelling resources has considerably diminished. In a mid-term perspective, such financially restricted cooperative opportunities for member states in the realm of the CFSP will even further weaken the EU's already incoherent united action on the international stage.

Third: *Common security and defence that shall underpin the EU's CSDP have been exposed to external threats*. This long-term strategic challenge implies perhaps the most far-reaching and severe consequences for the European Union as a power. By progressive reduction of defence budgets, the EU member states will inevitably run the risk of implementing cuts to their armed forces in an uncoordinated fashion. Against the backdrop of EU's shrinking defence capabilities, the member states may end up with potentially more formidable gaps in capability than present. What matters moreso, cutbacks in EU-intern armament procurement will urge the European armament producers to seek markets for their products outside the European Union. And it would be excessively naïve to sell off military capabilities, including critical defence infrastructure and the technology that underpins it, to non-EU actors, or rather Brussels' strategic competitors. Possibly

⁵⁴ Ch. Mölling, S.-Ch. Brune, op. cit.

⁵⁵ D. Fiott, op. cit., pp. 7-11.

⁵⁶ P. Żurawski vel Grajewski, op. cit., pp. 6-37.

⁵⁷ Ibidem, p. 1.

anticipated now in Brussels, excessive military rationalization and selling of key industrial goods and infrastructure from the defence sector – at both the EU and the member states levels – would result in an increasing vulnerability of the European Union to political penetrations of external global players, first and foremost, China and Russia. In the mid- to long-run, these factors will challenge the EU's ability to manage security concerns emerging from within its regions, and to secure its interests worldwide.

It is therefore apparent that the deep and perplexing debt crisis – labelled in the European context as “Eurogeddon” – is a *challenge by change*, i.e. the one that is posed by systematic shifts due to rise of geoeconomics and stateism which shape the actors' behaviour in an emerging multipolar world perspective. On the other hand, the crisis may present a positive *challenge for change*, as far as unity and lessons in leadership will be absorbed by the European Union in addition to urgent lessons on the subjects of rising stateism, return of geoeconomics and the uncertainty of changing multipolarity.

With the situation still in flux, several *worst-case scenarios* remain as distinct possibilities, but *optimal scenarios* require coherent and consistent engagement from not only those within the euro zone, but also those embraced in wider institutional, geopolitical and geoeconomical ties managed at the European Union level. Most of all, an understanding is necessary that “[t]here is no shortcut out of the crisis”⁵⁸. Although much of the crisis has passed and Europeans “have come a long way since the start of the crisis”⁵⁹, “[a]t this point in time, with a fragile recovery, the biggest downside risk I see is political: lack of stability and lack of determination”⁶⁰, to use the wording of the expert insider of the issue, the European Commission's president.

Given the challenges and opportunities triggered by ‘Eurogeddon’ offered in parallel, fulfillment of any optimal scenarios would require informed and targeted **strategic (re)action of the European Union**. In tradition of the *tgae*-formula – ‘Think Global – Act European’ – as developed by the Jacques Delors Institute ‘Notre Europe’⁶¹, this article offers a minimax solution of the Union's problem in a strategic role to follow both a broad and a narrow approach as follows:

First: The European Union's policy-makers have to finally develop an urgent sense of the geopolitical constellation the Union has found itself in. Such a broad – or as one may call universalist – conception of the crisis and after-crisis situation

⁵⁸ P. Solbes, *Preface to FRIDE Annual Publication 2013*, in: *Challenges for European Foreign Policy in 2013: Renewing the EU's Role in the World*, eds. G. Grevi, D. Keohane, FRIDE, Madrid 2013, p. 11.

⁵⁹ J.M. Durão Barroso, *op. cit.*, p. 3.

⁶⁰ *Ibidem*, p. 7.

⁶¹ Cf. website of ‘Notre Europe’ for more information on the project ‘Think Global – Act European’, <http://www.eng.notre-europe.eu/011015-103-Think-Global-Act-European.html>.

is the most important step Europe can take to eventually live up to the challenge and to assert itself globally as a leading strategic player.

Hence, it should be made quite clear to Europeans, and the EU itself that although “geography was not directly responsible for the euro zone sovereign debt crisis, but the crisis may impact on the EU’s ability to manage geography”⁶², in other words – to ‘tame’ geopolitics.

Second: The European Union member states have to further consolidate their powers in economic and monetary policy at European level and make an effort to improve upon the Union’s foreign, security and defence policy, accordingly. Such a narrow – or as one may call parochialist – approach ironically demands from the EU and its member states both intensive and extensive engagement. No doubt, a more united Europe is the only solution for ameliorating the crisis. The European Union should learn this lesson and maintain its momentum towards integration. The euro is Europe’s symbol of global power and strategic influence. European leaders will have to make every effort in order to save the common currency, and strengthen economic stability in the Union. This certainly includes i.a. completion of pending ratification and mindful implementation of the European Stability Mechanism and the Fiscal Compact, notwithstanding rising national(ist) implications evoked by the crisis. Not to disregard these seeming overly ambitious propositions, such as the economic government of the euro zone.

In practical terms, this would mean renewed efforts for consolidation and supranationalisation of basically two European Union policies – economic/monetary policy, with foreign relations regarding security policy. Regarding to the latter policy, Boonstra⁶³ subtly puts hereto that “[i]n 2012 and beyond, three broader engagements should be a priority for Europe’s security and thus geoeconomic outlook: taking a broad approach to security; strengthening the EU’s neighbourhood policies; and reinforcing defence cooperation, including contributions to NATO”⁶⁴. For the European Union to mitigate the current multi-faceted crisis, more proactive external policies are paramount.

Enormous uncertainty underlines the question of the likely duration, and further course of the crisis. To believe Habermas⁶⁵, “[t]he United States will emerge weakened from the current twofold crisis”, if not defaulted – as anticipated by the World Bank’s president Jim Yong Kim on 8 October 2013⁶⁶. Europe still has

⁶² D. Fiott, op. cit., p. 7.

⁶³ J. Boonstra, *What Legacy for Security and Defence?*, in: *Challenges for European Foreign Policy in 2012. What kind of geo-economic Europe?*, eds. A. Martiningui, R. Youngs, FRIDE, Madrid 2011, pp. 37-44.

⁶⁴ Ibidem.

⁶⁵ J. Habermas, op. cit., p. 117.

⁶⁶ Cf. S. Page, *World Bank president: Debt debate could be dire*, “USA Today”, 8 October 2013, <http://www.usatoday.com/story/news/politics/2013/10/08/world-bank-president-jim-yong-kim-warns-about-impact-of-debt-ceiling-debate/2944169/> [8.10.2013].

a chance to emerge strengthened... provided that the lessons taught by ‘Eurogeddon’ and at least those, which have been analysed in this study, will be learned. Hence, movers and shakers at both European and national levels have their work cut out for them. Meaning – to use the wording of Polish minister of foreign affairs Radosław Sikorski – nothing but “Stop talking decline. Start talking solutions!”⁶⁷.

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⁶⁷ R. Sikorski, *Stop Talking Decline. Start Talking Solutions*, “Carnegie Europe”, 28.11.2011, <http://carnegieeurope.eu/publications/?fa=46055> [13.06.2012].

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Wyzwania poprzez zmiany lub wyzwania dla zmian? Strategiczne implikacje „Eurogeddonu” dla polityki zagranicznej i polityki bezpieczeństwa Unii Europejskiej

Streszczenie. Kryzys w strefie euro, przedstawiony jako „Eurogeddon”, który wybuchł w szerszym kontekście globalnego kryzysu zadłużenia, może rzucić nowe światło na stabilność finansową i możliwości strategiczne w Europie. Kryzys, oprócz tego, że miał swoje konsekwencje w gospodarce, to również miał odzwierciedlenie w krótkookresowych wyborach strategicznych i w geopolityce. Ciągłe zmiany oraz niepewność prawdopodobnego czasu trwania i przebiegu kryzysu każe poświęcić więcej uwagi średnio- i długoterminowym rozwiązaniom strategicznym dla Unii Europejskiej na poziomie regionalnym i globalnym. Artykuł ten podzielony jest na cztery części. W części pierwszej dowiadujemy się, że kryzys nie jest tylko zjawiskiem ekonomicznym. Część druga jest próbą conceptualizacji kryzysu. W części trzeciej pokazano konsekwencje strategiczne kryzysu dla Europy w odniesieniu do regionalnych i światowych konkurentów energetycznych. Konsekwencje te nazwane są pięcioma „lekcjami”. Czwarta część wyjaśnia zarówno rzeczywiste, jak i potencjalne, bezpośrednie i pośrednie skutki dla wizerunku UE i jej strategicznej polityki zagranicznej, bezpieczeństwa i obrony. W części tej jest również mowa na temat kluczowych strategii UE koniecznych w przezwyciężaniu skutków kryzysu w zmieniającej się Europie. Istotne zatem, by Unia Europejska przyjęła podejście: „myśl globalnie – działaj po europejsku”.

Słowa kluczowe: światowy i europejski kryzys, „Eurogeddon”, implikacje strategiczne, wyzwania dla bezpieczeństwa UE