Newsweek
▸ Home Page | ▸ Cover Story | ▸ Archives | ▸ Feedback | ▸ Index
International Editions
6 January 2003
Web version at: http://www.msnbc.com/news/850665.asp

Another Decade Of Diversity

How a newly expanded Europe will overcome its own divisions and become a model for regional governance

By Andrew Moravcsik
NEWSWEEK INTERNATIONAL

Jan. 6 issue — The big bang is done. The champagne's been drunk. A new Europe stretches from Lisbon to Latvia. And now what? The reality is that the EU's troubles are just beginning.

HISTORY SUGGESTS THAT successful international cooperation rests ultimately not on abstract rules but on convergence. As the great Hungarian economist Karl Polanyi observed more than a half century ago, any stable economy must balance the disruption of market forces with the protection of diverse socioeconomic and political arrangements. If the underlying diversity is too great, conflict results. So with a wider and deeper Union. The bigger it gets, the greater the challenge of managing its disparate parts.

This is why the EU has moved toward greater flexibility—"variable geometry," it's called in Brussels. Nearly all major initiatives of the past decade have been accepted by only a subset of the EU's membership. The single currency has yet to be accepted by three countries, and the elimination of border controls by two. EU social policy has settled on loose coordination. Foreign and defense policies are based on voluntary "coalitions of the willing." Yet even with this flexibility, the EU may well be nearing its maximum tolerance for diversity.

Consider the European Monetary Union, which seeks to impose a single monetary policy on a market region with divergent national macroeconomic conditions. For years, economists have cautioned that Europe's diversity might ultimately be unmanageable. Remember the doomsday scenarios centering on Italy, where it was feared that government incompetence, political corruption and fiscal irresponsibility would drive up interest rates throughout the entire Eurozone—triggering a political and financial crisis.

Today's culprit is Germany. One London think tank, Independent Strategy, sketches out a dire scenario: the continuing global slowdown, tight money and a rising euro will sap German export earnings, depress employment and consumer spending, and eventually drive Germany into a "Japanese" stagnation, taking the rest of Europe with it. The next two years, the group predicts, could be a "very dangerous time," with close to a 50 percent chance of things going horribly wrong.

The variety of the 10 new members—poorer, smaller and geographically distant from the "core" of the EU—is sure to exacerbate such tensions. Poland is a case in point. Private investment is sluggish. Uncompetitive nationalized industries, including the steel and energy sectors, must be integrated into the EU.

So too its farmers. Public administration and courts are less than fully reliable, while reform of public finance has yet to begin. Regulatory standards in food safety, fisheries management and environmental policy do not yet match those of the West. Will Poland follow the lead of Spain and Ireland, prior entrants that swiftly implemented market and administrative reforms and were rewarded with rapid growth? Or will it resemble Greece, whose bloated budgets, inefficient firms and corrupt government made the country a virtual pariah for a decade after its entry in 1979?

Were this not enough, Romania and Bulgaria are poised for membership in 2007—not to mention Turkey. It's often forgotten that EU laws are rarely implemented by Brussels, but by national governments. Deep trust between political systems is thus required. An Irish consumer buying Turkish food, for example, must trust Turkish farmers, Turkish regulators, Turkish border officials and, ultimately, Turkish judges to assure the origin and safety of that food. Can such trust be maintained with Turkey's spotty record of democracy, rule of law and human rights and its untried capacity for regulatory oversight?

Small wonder that European leaders at Copenhagen rebuffed Washington's efforts to push Turkey's candidacy. Americans simply cannot imagine the depth of cooperation entailed. Turkish accession would be the equivalent, in North American terms, of U.S. integration with Mexico: elimination of border controls, disbursement of 3 percent of U.S. federal spending as aid and comanagement with Mexico of the Federal Reserve, a single currency, foreign-trade negotiations, antitrust policy, environmental policy, agricultural subsidies and a dozen other federal functions—all overseen by a supranational supreme court and a jointly elected parliament.

Put this way, the challenge of diversity sounds insurmountable. Yet the EU is likely to do what it has always done: muddle through. Compromises will cushion the shock of enlargement and monetary convergence. And when the EU emerges from its decade of diversity, its distinctive strategy of trade, aid and multilateral engagement may well emerge as the pre-eminent model for the future of world politics—one very different from that currently advocated by Washington. Successful enlargement will demonstrate that the European experience is relevant not only to a small number of rich, culturally homogeneous democracies with a totalitarian past. The EU will have established itself as a viable model for regional governance across the globe.

Moravcsik is professor of government and director of the European Union Program at Harvard University.