

The Response to European Integration Crisis from the Perspective of Neoliberalism

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ABSTRACT

After the World War II, international organizations and international alliances began to develop vigorously as institutional designs for maintaining peace and promoting development. Among them, European integration is the most successful model of regional inter-governmental cooperation, which covers political, economic, security and other fields. But since the 21st century, facing the global economic crisis, refugee crisis, COVID-19 and so on, European integration has been greatly challenged by populism and conservatives. Relations among its members also tended to falter, culminating in a 2016 British referendum to leave Europe. Based on the theory of international cooperation, international institutions, and complex interdependence in the neoliberalism, this paper uses the case analysis method to review the history of European integration and the challenges brought by the European debt crisis, the coronavirus crisis and the Brexit. Based on the existing theoretical results, this paper puts forward a future development model of differential disintegration, and deepens the cooperation with external actors in order to realize the further development of European integration.

Keywords: *European integration Neoliberal system, Fragmentation, differentiated Integration*

1. INTRODUCTION

The two world wars have broken through the barriers among the countries in the world. Concerted political action and international economic cooperation gradually have gradually become the basic model of building ties and achieving common development among countries, especially those in the same region. Among them, European countries have the strongest synergies. Considering the process of European integration, we can find that the degree of integration does not show the trend of gradual strengthening, and there is a trend of “anti-globalization” and “anti-integration” in recent years. At present, European integration is facing international, regional and domestic impacts. Among them, international capital and international movement of people have played an important role as the main elements of neoliberalism. Therefore, this paper chose to adopt a neoliberal perspective to study the future development direction of European integration. From the perspective of the neoliberalism, this paper will analyze the achievements and problems in the process of European integration in the fields of government and capital market, so as to make suggestions for the

development of European integration in the future, and provide new impetus for the globalization.

2. THE DEVELOPMENT OF EUROPEAN INTEGRATION

2.1. The institutionalization of European integration: from the European Community (EC) to the European Union (EU)

After the World War II, European countries suffered a huge blow in the war, and gradually began to reflect on the issues of war and peace. In order to maintain the security and peace of the European continent, Europe is gradually moving towards unity, jointly responding to external crises and safeguarding its political status. From the middle of the 20th century, ranging the unified management of the military resources, from the deep economic cooperation and policy consistency, the establishment of the European Community as a phased achievement marked the gradual concentration of loose economic entities in European countries and the formation of a large economic system, which can improve the competitiveness and anti-risk ability in the

world market [1]. However, fiscal power and the right to control domestic resources belong to national sovereignty. In order to achieve the optimal allocation of resources within the European region, countries have partially transferred these two rights. All countries share concerns and worries about the current situation and their own status. The recognition of the internal ideas of European countries has cleared the obstacles to the union [2][3].

After the signing of the "Maastricht Treaty" in December 1991, the policy systems and decision-making of EU countries will be affected by a "supranational actor"---the European Union. In the context of the construction of the EU as a specific international system, the overwhelming majority of countries are willing to exist in the framework and cede some national autonomy in exchange for influence within the region and a stronger European voice in the world. But at the beginning of the emergence of this institutional design, a huge risk lurked---when a state cannot profit in an international organization, while its performance of the obligations of the international organization has a counterproductive effect on its own development, for reasons of reason, it will also choose to withdraw without mercy [4].

2.2. Further development of European integration after entering the 21st century

Since the establishment of the European Community, the results of close cooperation have emerged, attracting the participation of other countries. It has undergone five expansions from 1973 to 2002, and the number of member states has also expanded from the original 6 to 27. Especially in the fifth eastward expansion, the addition of the former Union Republic of the Soviet Union countries joined the UN, which made the original group thoughts and attitudes dominated by Western freedom concepts and religions become more diverse, but the differences between countries with different economic states will also be more pronounced [5].

The establishment of the European Single Market since the 1980s has prompted "the principle of mutual recognition" to replace the "coordination principle" as the dominant decision-making principle of the single market. The principle of mutual recognition has weakened the mutual interference between member states, lowered the entry barriers of non-European groups, and realized the true liberalization of European trade policies. However, while facilitating trade, it also gave international financial capital opportunities to penetrate all aspects of society, resulting in the booming development of the financial industry and the relative stagnation of the real economy, the industrial structure resulting in a huge adjustment. In terms of military and security, since most of the major EU member states are NATO members, and there are American troops stationed in Germany and other countries, Germany and France are making efforts to

realize the European defense integration. French President Macron made the conclusion that "NATO has entered a state of brain death" in an exclusive interview with *The Economist* on November 9, 2019, fully demonstrating his firm stand and the direction of future development.

3. THE CRISIS OF EUROPEAN INTEGRATION

3.1. European sovereign debt crisis

In 2008, the US subprime mortgage crisis swept the world and eventually evolved into a global financial crisis. The European Union was facing huge economic risks. From the second quarter of 2008 to the second quarter of 2009, the economies of the European Union and the Eurozone have experienced negative economic growth for five consecutive quarters, with economic contractions both above 4%. In response to the financial crisis, the European Union and the governments of its member states were forced to implement unprecedented financial assistance and economic stimulus programs, with a total expenditure equivalent to about 5% of the EU's GDP. Since the outbreak of the debt crisis in Greece in October 2009, Ireland, Portugal, Italy, Spain, France and other countries have been involved in it. The debt crises have been deepening and spreading from local to overall, from small marginal countries to large core countries. The entire EU is deeply troubled by the debt crisis.

The European sovereign debt crisis is a continuation of the recession brought about by the 2008 international financial crisis. which was the result of the financial crisis under the conditions of monetary integration, and its roots can be traced back to the essence of neoliberalism [6]. Due to the expansion of international financial capital, EU countries including France have gradually become financialized in their domestic industries, leading to a serious imbalance in the ratio of the real economy and the virtual economy, making it impossible to form a complete and independent industrial system [7]. The neoliberalism has taken a number of steps, including deregulation, open markets, and privatization, to remedy the effects of inequality on economic growth. But the deregulation of financialization has further promoted the expansion of financialization, resulting in greater inequality and injustice.

The European sovereign debt crisis has brought to the fore the main contradictions in Europe: first, the North-South gap has intensified. The northern countries, led by Britain and Germany, have insufficient momentum for their economic development due to long-term large budget contributions, and have suffered from domestic politics. So the governments are calling for budget cuts, while economically weak southern European countries are trying to "survive" on the EU budget. The second is

that the three major countries--Britain, France and Germany have diverged positions in dealing with the European crisis. France and Germany have taken more actively responsible for the share of aid, but the United Kingdom has long been vague on the EU. There are endless voices of "Brexit".

3.2. Social division and chaos caused by the influx of refugees

The long-standing unrest in West Asia and North Africa has led to the largest migration in Europe since the World War II, which has had a huge impact on the EU's integrated border management. According to statistics from the UNHCR, approximately 1 million refugees entered Europe in 2015, influencing greatly on social identity and social governance. Among them, because the refugees are mostly Islamic religious believers, they have a huge conflict with the Christian civilization believed in most parts of Europe [8]. Although the arrival of refugees has supplemented the European and American welfare societies' demand for low- and mid-end labor, when the

economic crisis hit Europe and the United States, once dividends turned into social burdens, the identity and ethnic identity of immigrants have transformed into a conflict of social consensus.

The left-wing social identity that advocates tolerating immigrants and accepting refugees has formed a serious split with the right-wing social identity that opposes foreign culture, rejects immigrants and refugees, and advocates the priority of white people. Advocated by the local conservative political forces, the local people believed that refugees occupied a lot of job opportunities and had a negative effect on social security. They began to oppose the policy of acceptance of refugees and turned to support right-wing populism in domestic political elections. Political interest groups rely on the power of political parties to forcefully promote the clash of civilizations, and the populism that manipulates separatism is developing toward extremes.

3.3. Enhanced centrifugal force brought about by Brexit

The Timeline of Brexit

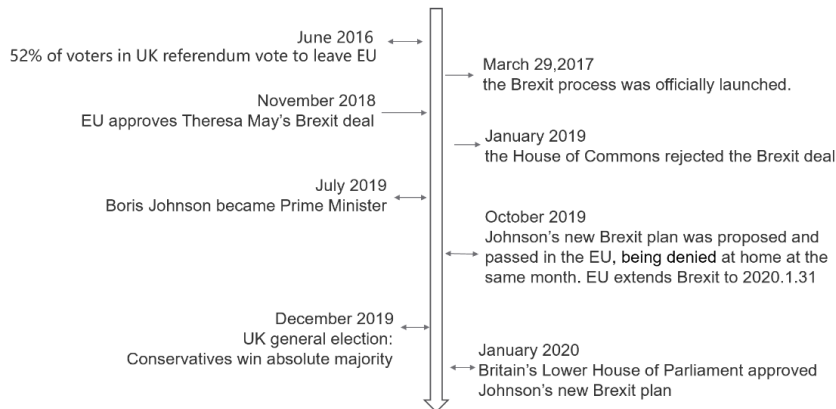


Figure 1. The Timeline of Brexit

In June 2016, the United Kingdom held a referendum, 52% of voters chose "Brexit", and from then on the Brexit procedure was officially launched in March 2017. As shown in figure 1, it takes a lot of time to accomplish the whole process of Brexit. From the Cameron government, Theresa May government, to the John Boris government, all are working hard to sign a suitable Anglo-European agreement. According to the neoliberalism, the interdependence of power implies a focus not only on the mutual gain or loss of all concerned, but also on the relative gain and distribution. Over the past decade or so, Britain believes that its efforts in the European Union are more than its gains, and the capitalists who control the country's core industries and guide public opinion have trumpeted Brexit as a way to evade EU financial regulation and gain business benefits [6]. At the same time, Britain, which has undergone major tests such as the financial crisis and the refugee issue, has conflicts

with EU member states in the distribution of benefits and responsibilities. These incidents have also exacerbated its departure.

The Brexit is undoubtedly a very heavy blow to the process of European integration. As a big country whose economic development level and international political status are in the forefront of Europe, its departure means that the EU faces the risk of fragmentation and makes the EU less attractive and cohesive. Strength has also weakened the EU's influence on the economic and political arena. The EU is not only an economic community, but also a value community, which plays a leading and standardizing role in ideology. The development of European integration is based on the integration of economic functions, with the goal of constructing European common ideas, democratic identity and European citizens. The eastward expansion

after the Cold War also relied on its economic strength and value appeal to be achieved. Therefore, the European Union believes that the values of freedom, democracy, the rule of law, and human rights shaped in the process of European integration are the true meaning of integration. Although Brexit was a decision made by the United Kingdom based on its national interests, it still brought challenges to the value community of the EU's "identity" and "national identity" [9]. In addition, Britain's Brexit has also increased the eurosceptic thinking and centrifugal tendencies of other member states, which has greatly encouraged the far-right parties in Europe (such as the National Front in France, the Liberal Party in Austria, etc.). The domestic people also take this opportunity to express their dissatisfaction with immigration, EU institutions and policies, which greatly challenged mainstream government.

3.4. Disorder in the management of the Covid-19

In 2020, the international community were affected by the Covid-19, and Europe has become the hardest-hit area, with the number of confirmed cases in Spain, Italy, France and other countries exceeding 3 million. European governments have not made administrative measures in a timely and effective manner, and medical resources are also extremely scarce. As a system of supranational behavior, the European Union also failed to effectively control the situation, resulting in social chaos and temporary stagnation or even regression of development. The source of EU power is the treaty-based transfer of sovereignty of member states, and its ability to act is also limited by this. With the deepening of integration, the EU has gained more and more powers in the fields of economy, society, Internal Affairs and Justice, as well as foreign relations. However, the public health policies involved in this epidemic are mainly state powers, the binding force of the EU on Member States is very limited, and its function is only to guide and coordinate the efforts of member states to combat the epidemic, it has no right to interfere with the member states whether to suspend flights, whether to "seal off", how to deploy anti-epidemic supplies and other key issues [10].

As can be seen, due to the separation and constraints of state power, it is difficult for the EU to play a substantive role in global governance. On the contrary, this two-tier governance makes the resolution of the crisis prevaricate, amplifying the EU's functional shortcomings. The current state of disorder in Europe of the Covid-19 has shown a deficit in governance capabilities, exacerbating the EU's legality crisis. The authority of its exercise of power as the central organ for safeguarding and promoting European integration has been challenged.

Moreover, the European Union's economy fell sharply in 2020 because of the impact of the Covid-19.

From a macroeconomic perspective, according to estimates by the International Monetary Fund (IMF), the EU's GDP growth rate in 2020 will be -8.3%, which is lower than the world average GDP growth rate -4.4% and developed country's average GDP growth rate -5.8%. As the main drivers of the European Union's economy, the decline in GDP growth rates in Germany, France, Italy, and Spain has returned to the level at the end of World War II. The outbreak and spread of the Covid-19 is only the trigger of the European Union's economic downturn, behind which there are long-term hidden structural problems. The EU is deeply involved in global value chains, and its economic development is extremely vulnerable to fluctuations in the international economy. The EU economy is also highly dependent on the international trading system, and there is a hidden danger of weak ability to resist risks in the international supply chain [11].

In short, the long-term relative peace has greatly reduced the necessity of European countries for the EU's security, and they have begun to reflect on whether they will join the EU from the perspective of economic interests. The divisive conflict rooted in history has gradually intensified with the frequent occurrence of "black swan" events today. Because the EU does not have complete power, the "intergovernmental approach" is still not the dominant way to deal with crises in the process of European integration. Countries are making decisions based on their own ideas, differences of interest and the constraints of domestic politics. The consensus on the realization of prosperity and development is also wavering. With the backlash of right-wing populism, the promotion of anti-globalization to grab the national economic benefits, and the public's recognition of integration to achieve peace has declined. European integration is facing huge challenges in today's world.

4. THE CRISIS RESPONSE MODEL OF EUROPEAN INTEGRATION

4.1. Optimize the existing management model: Differentiated Disintegration

Since the beginning of the European integration process, the relations between European countries have become closer and closer, more and more areas of cooperation, and restrictions on sovereign states have also increased. The facts have proved that such a path proved unsustainable. This kind of rigid binding relationship will lead to aggravation of sharp and worsen contradictory problems between the EU and its member states and European countries. Therefore, in order to achieve a better consensus, the EU needs to allow differentiation in specific management, allocating authority to member states, and do not impose standards on sensitive issues [7]. In the face of emergencies, countries could act on their own will and merits-as long

as it does not completely violate the will of the alliance. In short, it turns tight, all-encompassing alliances into loose groups, allowing for differences.

“Diversity” increases the flexibility of European integration, argues Alex Warleigh-Lack, it “Provides the most useful way of balancing the interests of different countries, thereby allowing the EU as a whole to pursue its objectives”. Transforming the EU from its traditional role as coordinator to a platform for national interests would greatly reduce nation-states’ fears of future, in which European integration would deprive them of the possibility of sovereignty over their own political integrity and independence.

The EU is also changing in the direction we expect. On 1. March, 2017, the European Commission released the "White Paper on the Future of Europe: Thinking and Vision of the 27 EU Countries in 2025". The white paper outlines five scenarios for the EU in 2025, including Continuation (Carrying on), Single market model (nothing but single market), Multi-speed European model (those who want more do more), and Doing less high-efficiency model (doing less). More efficiently and Doing much more together. Among them, the strategy of "Multi-speed Europe" is recognized by all nations in the field of win-win cooperation and just to do their own things in areas with acute contradictions. The EU does not limit the direction, pattern or pace of development of its member states [12].

If one sees Brexit from this perspective, they can understand why the United Kingdom has been vigilant about the new direction of integration for a long time. Besides the departure of the United Kingdom is not a complete disaster for European integration. Regaining sovereignty is the main demand for "de-integration," and Britain is mainly worried that too much participation in integration will turn itself into a secondary actor [13]. Compared with France and Germany, which play a leading role in the European Union, the participation and voice of the United Kingdom in the European Union do not match its status as the world's five largest countries.

After entering the EU, Britain is only loosely involved in the EU's integration process in both horizontal and vertical dimensions. From the perspective of horizontal differences, Britain does not participate in all EU policies; from the perspective of vertical differences, in some EU policies, Britain also participates in it at its own pace and degree [14]. If the "multi-speed Europe" policy is more fully implemented, the United Kingdom could adjust its relationship with the EU to an acceptable level, rather than going against it. Taking this as a precedent, the EU could change the original method of “Fully agreement” to “Flexible accession” ----to refine all the policy criteria and entitlements and to stipulate specific policies as few as possible after setting a broad policy tone. For example, on the issue of assistance of Member States, there are some innovative reforms. The

assistance model is changed from the overall allocation by European Council to a fixed-point cooperation between the donor country and the recipient country, which is carried out by two or more parties in the form of agreements or contracts. This would give greater respect to the interests and wishes of the donor countries. Full communication will also alleviate domestic people's misunderstanding of European integration, thus playing a positive role in the process of European integration. After all, practical interests are the ultimate reason for deciding whether a member state will leave the EU.

4.2. Maintaining the independent production system and consumer market within Europe

The essential reason why European integration is now facing crisis is that the economic production of many European countries has fallen into the control of transnational financial capital. Industrial financialization has engulfed the living space of the domestic real economy, and some countries have even lost the ability to support the domestic produce independently. All production and living resources rely on imports. When a country loses its productivity, the internal driving force that maintains its economic growth and political independence cease to exist, and the sovereign state is deprived of the right to determine its own direction of development [15]. In the face of a global and destructive economic crisis, it is unable to deal with it. When the country's economic lifeline in the hands of others, it also bound to be political, military, security and other fields by external interference and constraint. There are many member states with a strong level of economic development in the EU. Therefore, the priority is to restore the industrial production capacity of the countries in the region. The task is a long one since the leaders of many European countries are themselves agents of transnational financial capital [16].

To solve this dilemma, the EU needs both policy standards and practice. First, with France and Germany, which have a strong sense of independence and strong ability to resist capital, as the main driving force, the EU has introduced binding restrictions on the proportion of foreign capital control in important industries in the country and sent technical teams to help European countries restore their domestic capital and the whole industry chain [17]. The EU should proceed from the whole perspective, carry out a comprehensive strategic layout for each country, and pay attention to carry out the focused production and research based on the reality of each country. The advantage of European integration lies in the fact that countries can carry out cooperation and resource allocation with almost no barriers, forming two complete and trustworthy development industrial chains, which can guarantee their own independent development opportunities and gain a comparative advantage in the international market competition.

Secondly, it is to get rid of the existing cooperation model of "intergovernmental behavior". Now the right-wing conservative forces in European countries are rising, and when conducting political propaganda at home, they have cast the EU as an accomplice of foreign capital and a culprit in the country's economic downturn. Such domestic opposition forces are a huge obstacle to the process of European integration. Therefore, the EU needs to go beyond the government, truly show the attitude of "tolerance, mutual assistance, and win-win cooperation" to the citizens of member states and re-establish a positive image of the EU. To achieve this goal, it is not only necessary to allocate funds and aid, but also to break down misunderstandings, and let every ordinary citizen who holds the right to vote understand that the common development of the European Community is the prerequisite for the further development of their country and the improvement of their own living standards. Although capital has sprouted within the EU, the power to mobilize the widest range of people cannot be underestimated.

4.3. Downplaying group boundaries and conducting in-depth cooperation and exchanges with countries outside the region

Although the European Union was based on the similarities between the free market and democratic systems in the West, in today's economic globalization, it cannot only focus on the market within the region. In the process of European integration, all subjects should remain open in terms of culture and ideology. When conducting cooperation, they should give priority to economic and international benefits, and cooperate with countries outside the region with complementary advantages in an equal and positive attitude. For example, non-EU member states that selectively participate in integration, and the third world countries in Africa that have advantages in labor and resources.

Outside the EU, some countries are "semi-member states" of the EU but basically have no intention to join. Norway, for example, has joined the European Free Trade Area (EEA) but is unwilling to initiate the accession process. Switzerland entered the EU market through bilateral sectoral integration but refused to join the EEA. Some European countries hope to join the European Union, as the Central and Eastern European countries have done in the past, in accordance with EU accession negotiations required domestic political and economic reform. Within the EU, an important differentiation exists between eurozone countries and non-eurozone countries. Not only are Denmark and Switzerland reluctant to join the Eurozone, but they are also demanding autonomy in human rights, internal affairs, and defense. Both countries, though not in a position of permanent rejection, set up strict referendum procedures. European integration is not

equivalent to the EU, and other European countries also urgently need to be included in the system, which is also an important part of the EU's differential de-integration. Economic interests and complete political identity are not completely synchronized. Only with more external support, can European integration be injected with new impetus.

The current relationship between the EU and Africa is based on the "Cotonou Agreement" signed in 2000 and the "European-African Joint Strategy" issued in 2007. The "Cotonou Agreement" expired at the end of December 2020. On March 9, 2020, the European Commission released the "Comprehensive Strategy for Africa", which mentioned that after the 1980s, Africa's autonomy increased and the EU's demands for Africa have changed. The EU hopes to maintain its traditional sphere of influence in all respects, promote the construction of peace and security in Africa through politically oriented, security-development-related assistance, and exert normative influence to promote Western democratic systems and development models in Africa. To this end, the EU's African policy focuses on peace and security, human rights, democracy and good governance, aid, and the development of Africa. As can be seen, the EU's economic engagement with Africa remains politically motivated, which is an important constraint on further deepening European cooperation with Africa. In the face of the new strategy for Africa, which continues to focus on traditional areas such as trade, investment, security, governance and migration, a new green and digital transformation will be added and will be the focus of future partnerships. The EU should, above all, move away from the Eurocentrism idea of non-economic relations, instead, regard them as a positive force for external development [18].

5. CONCLUSION

This paper uses the theory of international cooperation, international institutions, and complex interdependence in the neoliberalism to study the development process, crisis and future development trends of European integration, and draws the following conclusions. European integration is in the era of globalization. It came into being and was hit under the background of anti-globalization. However, European integration is still the best choice for EU countries and other external countries. Therefore, it is necessary to gradually advance the mode of integration of differentiated areas, and deepen internal cooperation and expand external markets.

But this paper also has some flaws. In the process of research, it weakened the influence of domestic policies on regional integration, and also assumed the influence of interference from extraterritorial powers. In addition, no specific quantitative research has been carried out. This needs to be further studied in the follow-up research.

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