
The Transformative Power of the EU in a Changing International Order

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Abstract

The EU is a distinct actor in global politics. Researchers have developed different concepts to explain its sui generis nature. All approaches, however, converge in the sense that the EU has acted as an important transformative power that altered political preferences in member and candidate countries and informed dominant policy paradigms that organise state-market relations in its sphere of influence. This study argues that the EU's transformative power is under stress as never before due to the internal and external political economy challenges. From an internal point of view, the way in which the euro crisis and migration waves were managed dramatically jeopardized the solidarity ethos in the EU. From an external point of view, the changing international order and the rise of emerging powers weaken the appeal of the EU governance model in global politics.

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Key Words

EU Transformative Power, Changing Global Order, Euro Crisis, Emerging Great Powers.

Introduction

The actorness of the EU is one of the intriguing debates in global politics. The EU, with its *sui generis* institutional architecture and multilateral and multilevel governance model, diverges from traditional players. On the one hand, the EU does not fit into the standard template of nation-states; on the other hand, it falls short of being a genuine supranational polity. The EU also does not have military capabilities that can be compared to the regular armies of the nation-states. The weak hard power capacity of the EU, however, does not make it a powerless actor in global politics. On the contrary, the European integration experience has motivated researchers to re-consider the power concept in international relations and dig deeper into alternative sources of influence other than military might.

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The majority of integration scholars agree that the EU poses a distinct power but they are not so much in agreement about the exact nature, sources, and limits of its power capacity. The EU, for instance, is defined as a “civilian power”,¹ “normative power”,² and “market power”.³ Although these conceptualisations diverge in several aspects and sometimes contradict with each other, one common element in all these definitions is that the EU exerts power in international politics through non-military instruments and has the capacity to transform the target countries along the lines of its norms, values, and preferences. The transformative capacity of the EU without resorting to force reflects its distinctive nature in global politics.

This paper argues that the transformative power of the EU faces serious challenges at least since the emergence of the euro crisis. From a political economy perspective, this

study maintains that the declining appeal of the EU not only stems from the internal problems of European integration but also from the changing dynamics of the global order. The second part of the paper offers a discussion about the ways in which poor governance of the EU’s multiple challenges (the euro crisis, migration challenge, and Brexit) has undermined its transformative capacity. The third part discusses the changing global order with particular reference to its impact on the declining appeal of the EU. The final part concludes the paper. It should be stated at the outset that economic instruments are not the only sources of the EU’s transformative capacity but this paper mainly concentrates on the economic dimension as it constitutes the epicentre of the European integration project.

Transformative Power of Europe in Times of Multiple Crises

At the dawn of the 21st century, there was a high level of optimism about the global role of the EU. The consolidation of the political union following the Maastricht Treaty, the adoption of a new European Security and Defence Policy, and the introduction of the euro as the single currency underpinned the visibility of the EU as a global actor.

The EU's expansion to the Central and East European countries in the 'big bang enlargement wave' further consolidated this perception. Though the EU was not completely free from some major problems at the time, the dominant view was that the EU was "a quiet superpower" in the making.⁴

Despite the recent developments regarding security and defence capabilities, the EU is still considered as a "small" power, dependent on the US in terms of military resources and mobilization capacity.⁵ The EU, however, has distinct power capabilities that are widely discussed among pundits. Duchêne, long before the recent debates, argued that the EU is a "civilian power", bringing non-military approaches to the management of international conflicts.⁶ Manners, along the same lines, defined the EU a "normative power" that has the capacity to shape the behaviour of others not only through coercion but also through diffusing its norms. Accordingly, the EU is conceptualized as a power that has the capacity to define the "normal" in international politics.⁷ A particular identity based on a set of norms, such as rule of law, peace, democracy, human rights, and liberty, makes Europe a distinct normative actor in global politics. Also, some other scholars have labelled the EU a "market power."⁸ According to Damro, the EU's identity is "a comparatively large regulated

market with institutional features and interest group contestation."⁹ The European Single Market sustains the material basis to the EU "as a market power that externalizes its economic and social market related policies and regulatory measures."¹⁰ This, in turn, makes the EU as the "shaper of globalization."¹¹

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Given the EU's non-conventional power base, Leonard suggested that the EU has an unmatched "transformative capacity" that extends beyond Europe into the Mediterranean region, the Middle East and North Africa. According to this account, the EU reshapes the international order through attractiveness of its governance model, dynamic economy, social policies and crisis-management capacity.¹² The transformative capacity of the EU, however, this paper maintains, is under severe stress in the post-2008 period. Contrary to the expectations and bold statements about the role of the EU in the 21st century, its ability to act as a capable

actor has deteriorated dramatically. The following sections elaborate on this proposition with reference to the Eurozone and migration crises.

The Governance of the Eurozone Crisis

The euro crisis constitutes one of the turning points in the history of European integration. It should be considered as a critical juncture not only because it brought European economies to the brink of collapse but it also severely hit the solidarity culture among the member countries. The management of the euro crisis was ill advised and sparked a process that eradicated ‘transformative power Europe’. Rather than exploiting the crisis as an opportunity to reform the incomplete institutional design of the Eurozone and to expand ‘market power Europe’, the crisis triggered blame games and led to further peripheralisation of some member countries due to austerity-obsessed economic policies. The Greek crisis and the way in which it has been governed is a clear illustration of this trend. Therefore, this part concentrates on the mismanagement of the Greek economic crisis with emphasis on its negative consequences in terms of the domestic and global appeal of the EU.

The Greek economic crisis caught the European policy-makers by surprise. As a relatively tiny economy comprising just 2.5% of the Eurozone, many analysts and policy makers could not predict the massive aftershocks of the Greek economic crisis. The structural problems of the Greek economy were in fact a reflection of the design problems and the inherent dilemmas of the Eurozone rather than merely being idiosyncratic management failures in a peripheral European economy. In late 2009, combined with Greece’s very high government debt ratio and skyrocketing current account deficit, the government change and revision of budget deficit figures in the aftermath triggered an unprecedented economic panic.

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The government’s increasing credibility gap pushed the Greek economy into a deadlock, which resulted in Greece’s cut-off from the markets in the first quarter of 2010. After a turbulent period of tough behind the curtain negotiations, Papandreou requested EU-IMF support in April 2010.

A joint European Commission-European Central Bank-International Monetary Fund (EC-ECB-IMF) mission, called the 'troika,' was sent to Athens to negotiate the terms and conditions of the bailout package.¹³ The bailout package was attached to strict conditionality.¹⁴ The unusually ambitious program had three major components: Fiscal reforms, financial reforms, and structural reforms that would buttress the sustainability of the state's fiscal pillar.¹⁵ Despite an ambitious start, it did not take too long for policy-makers and market actors to realize that the first bailout package was too little too late to arrest the economic meltdown in Greece and in the rest of the Eurozone. Not surprisingly, the failure of the first program necessitated new bailouts.¹⁶ However, new reform programs also suffered from substantial problems in terms of design and implementation.¹⁷

The Greek economic crisis has become a textbook case of crisis mismanagement for the EU with huge ramifications for other Eurozone economies. The political elites in debtor countries and creditors failed to develop a common language and overcome collective action problems. Therefore, the Euro crisis deepened the faultlines in the EU by exposing coordination problems between debtor (southern) and creditor (northern) countries. Rather than concentrating on the design failures of

the Eurozone as a whole and addressing fundamental problems, the EU leaders started a vicious cycle of blame games, which was evident in the way in which the Greek crisis managed.

From the early phases of the crisis, Greek Prime Minister at the time, George Papandreou's approach diverged from that of the troika and creditors, first and foremost Germany. In fact, unbridgeable gaps emerged between the parties regarding the sources of the turmoil and the measures to be taken to overcome it. With the deepening of the economic crisis, the blame games precipitously intensified.

At the root cause of the blame games lays the narrative mismatch between debtors and creditors. For instance, Papandreou narrated the Greek crisis as "a test case for Europe."¹⁸ Papandreou argued that the crisis partially stemmed from unfettered globalization and uncontrolled financial speculation in the Eurozone. Accordingly, similar to the leaders of other debtor economies, Papandreou argued "Greece was only a symptom of much deeper structural problems in the Eurozone and vulnerabilities in the wider global economic system."¹⁹

As an outcome of his structural interpretation of the Greek and Eurozone crises, Papandreou suggested European-level counter-crisis measures. The Greek policy-makers and other

crisis-ridden countries in the Eurozone offered debt mutualisation and the common debt management to ensure fiscal centralization and sustainability of state debts across the European economies.²⁰ This perspective, however, diverged significantly from creditor countries'. Especially Germany, as the EU's hegemonic power that shaped the post-crisis reform measures, insisted on a strict conditionality program. Germany argued that harsh austerity measures were inescapable to overcome the credibility of commitment and moral hazard problems in the Eurozone. The austerity-obsessed reform packages, however, further exacerbated the collective action problems. For instance, Greek Prime Minister Papandreou had hard times as he disagreed with the spirit of the austerity program. He stated this explicitly as follows: "people who were not responsible for the crisis were paying the price for [extreme austerity]. There was a sense of injustice [in the bailout program]."²¹

The austerity programs designed for debtor countries, especially the one for Greece, were exceptional. For instance, Wolf argued that Greece was asked to do what Latin American countries did in the 1980s, "a lost decade- the beneficiaries being foreign creditors."²² Several pundits also argued that the fundamental problem of the Eurozone was not fiscal profligacy of the member

countries. In fact, fiscal problems were rather a symptom reflecting the 'design crisis' of the Eurozone.²³ Therefore, as the argument went, a disproportionate imposition of austerity measures would not relieve the pressure over the crisis-ridden economies and would not strengthen the hands of pro-reform coalitions across the Eurozone.²⁴

The failure of the first bailout program necessitated another rescue package amidst infamous "Grexit" debates in mid-2011, with imminent risks of triggering a domino effect in the Italian and Spanish economies. The new package was estimated at "109 billion euros with lower interest rates and extended maturities [which were] very closely [attached to] the strict implementation of the program."²⁵ The Papandreou government, squeezed between the troika's relentless demands and the domestic opposition, called for an unexpected referendum. Papandreou's surprising decision triggered the faultlines in the financial markets and attracted severe criticism on the part of the Franco-German leadership. Under intense pressure from Angela Merkel and Nicholas Sarkozy, Papandreou revoked the referendum decision and resigned from his post on 6 October 2011.

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many commentators argued that the process leading to this decision reflected the undemocratic nature of the EU's crisis management strategies. The appointment of the new Greek Prime Minister, Lucas Papademos, the former governor of the Bank of Greece (BoG) and vice president of the ECB, further consolidated this perception. As Kouvelakis asserts, the "Papademos government was the natural incarnation of a ruling bloc that is entirely dominated by the interests of European finance."²⁶ Merkel also placed her full support behind Papademos. Given the strong support he received from European circles, Papademos succeeded to secure the second bailout package in February 2012, which was around 137 billion euros. However, Papademos lacked the popular democratic legitimacy in the eyes of the domestic constituency. The public outrage against Germany and austerity program significantly restricted his mandate. Concomitant to the appointment of technocratic figures as prime ministers in other crisis-ridden European countries, he was conceived as the representative of the troika and therefore suffered from extensive credibility deficits. In this adverse environment, the social havoc created by the economic crisis and harsh austerity measures imposed by the troika extremely narrowed the room for reform possibilities.

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The intensification of blame games and the overly moralistic approach of the creditors toward debtor countries also increased the anti-European sentiment at the popular level. The majority of the population in Greece, for instance, started to draw analogies between the protectorates of foreign powers established during the country's debt-ridden history and Greece's present misery. In addition to the tormented historical memories of the Greek people in regard to their country's troubled fiscal relations with foreign creditors, the Greek people interpreted the post-crisis intervention of the troika as 'a new German occupation by other means.' In the post-2011 period, frequent street protests against the troika dominated the political agenda. Between May 2010 and March 2014, 20,201 legal demonstrations took place in Greece.²⁷ The Civil Servants' Confederation (ADEDY) and The General Confederation of

Greek Workers (GSEE) organized 34 general strikes in the same period. The strikingly high number of protests indicates that the established political parties, conventional approaches and the reform program had lost credibility and legitimacy.

The Greek case deserves in-depth discussion in terms of the EU's transformative capacity because it exemplifies how the mismanagement of the euro crisis alienated the societies in the periphery of European integration. The harsh austerity policies and the EU's failure to ensure economic recovery estranged southern European societies as well as the Central and East European countries. The rising inequality between the northern and southern members of the EU called the entire integration mentality into question. As one commentator highlighted, "today's northern European countries are running up record current-account surpluses, just as some southern European countries are experiencing Weimar-level unemployment."²⁸ Thus, the populist and anti-EU parties gained rapid ground as the EU failed to deliver its promises to ensure wealth and prosperity in new members.

The rising populist tendencies in the EU should be considered as an outcome of uneven economic distribution and identity-related factors. However,

it would be fair to suggest that the protracted crisis provided a fertile ground for the Eurosceptic parties to mobilize the masses against the fundamental principles of the EU project. For instance, in Greece, the xenophobic neo-Nazi party Golden Dawn's electoral base expanded dramatically from less than 1 % to 7 % of the total votes. The Coalition of the Radical Left, SYRIZA, also defeated all established parties and became the largest party in the Hellenic Parliament, receiving 36.3 % of the vote in the January 2015 elections. Different than the left-wing populism in Greece, the right-wing populist movement, the Alliance of Young Democrats (Fidesz) under Viktor Orban, pushed Hungary towards an illiberal direction. Orban several times lambasted the EU governance model in his speeches. For instance, he claimed, "we are expecting a solution from Brussels, which will never come... Everything is now happening in an uncontrolled fashion."²⁹ The populist Law and Justice government in Poland, echoing Orban, is also very critical of the direction of the European integration project. The far-right and far-left parties are on the rise in several other European countries including, but not limited to Germany, France, Austria, Spain and the Netherlands.³⁰ As the EU's problem-solving capacity decreased in the aftermath of the euro crisis, the legitimacy of the European

integration project deteriorated in the eyes of the citizens of EU member countries. This, in turn, opened up new political space for anti-establishment parties to expand their electoral base.

Europe's Migration Crisis

The second crisis is the migration challenge, which has deep ramifications on the normative credentials and problem-solving capacity of the EU. Starting from early 2015, the number of refugees trying to reach European borders increased dramatically due to the intensifying civil war in Syria and destabilization in the Middle East and North African region. The European leaders struggled to find an effective solution to the flow of migrants in the absence of a collective and norm-based response. The EU's overly pragmatic approach and hesitance to allocate refugees across member states posed a direct contradiction to Europe's alleged norms and principles.³¹ In the absence of a coherent European-level response, member states acted unilaterally, which further exacerbated the problem. For instance, Hungary, Croatia and Slovenia closed their borders to refugees coming from Serbia. The Polish government declared that Poland would not participate in the reallocation scheme and Bulgaria built fences along its borders.³²

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The EU's weak internal solidarity and hazy approach in tackling the refugee crisis brings two major consequences regarding its appeal. Domestically, it has created disappointment, especially among recent members. As Ivan Krastev points out, "many Eastern Europeans feel betrayed by their hope that joining the EU would mean the beginning of prosperity and an end to crisis."³³ The poor management of the euro and migration crises created disillusionment in Southern and Eastern European countries alike. Externally, narrowly constructed interest-based refugee policies and the hesitant approach of most member states to accept refugees undermined the EU's image as promoter of human rights.³⁴ The EU abandoning its principles for the sake of immediate *Realpolitik* interests in the migration problem jeopardized its normative credentials in the eyes of third countries. Furthermore, the ineffective policy response created ample opportunity for nationalist-populist leaders in the periphery to exploit the EU's crumbling

internal solidarity. Similar to the euro crisis, the inept policy response of the EU members and institutions opened up ample room for Eurosceptic parties to capitalize on the ‘politics of fear.’

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Stated differently, the collective failure by European leaders to address the economic problems and develop a coherent European-level response to the migration crisis triggered new faultlines in the EU, which in turn unleashed the anti-establishment sentiments across Europe. A clear manifestation of this trend is increasing scepticism about the benefits of EU membership. The publics especially in peripheral countries increasingly questioned the promise of market economy and liberal democracy in the EU. One can also suggest that the internal tug-of-wars among European member states in the wake of multiple crises are likely to have spill-over effects in terms of the EU’s external anchor role and political appeal. The political fragmentation and weak crisis-management capacity may

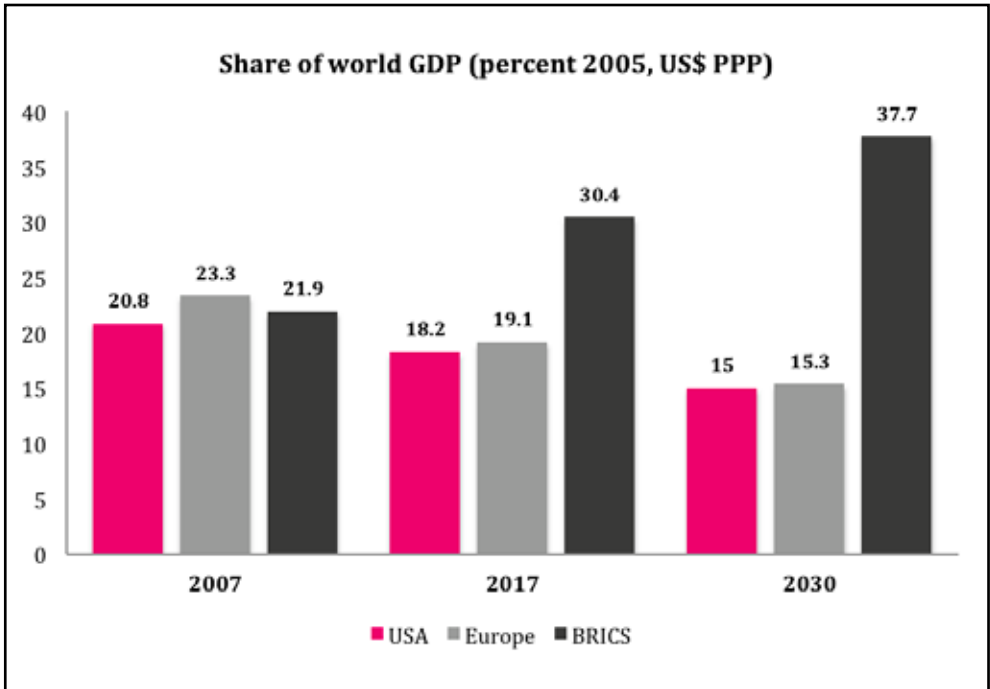
also undermine the EU’s promise as the beacon of democracy, human rights, and prosperity in the eyes of the third countries. The EU’s leverage over its periphery may be damaged gradually, which in turn, may adversely inform its norm-setter role over the broader neighbourhood.

The Shift in Global Order

The problems associated with the EU model do not only stem from the poor governance of its multiple crises. It is also closely related to the on-going shifts in global order, a trend that has accelerated since the global economic crisis. The global crisis, which erupted in the US and spread across European economies, revealed the deep structural problems associated with the neoliberal economic model. Whereas advanced Western economies encountered insurmountable challenges in the post-crisis period, emerging powers experienced relatively high growth rates. Economic dynamism, favourable demographic conditions, and the increasing interdependence in regional trade provided opportunities for these countries to act as more active participants in the global political economy. Between 2010-2014, for instance, the BRICS succeeded to grow at 5 per cent, and China has become the locomotive with 8.6 % growth on an annual basis.³⁵ The robust trade

and investment performance of the emerging economies also consolidated their status in global politics. The following figure demonstrates that the share of developed countries in world GDP has gradually declined over the years. For instance the share of the USA in purchasing power parity terms declined from 20.8 to 18.2 between 2007-2017 (see figure below). Similarly Europe's share declined from 23.3 % to

19.1 %. In the same period, the share of the BRICS increased from 21.9 % to more than 30 %. The share of the BRICS is expected to increase to almost 38 % in purchasing power parity terms as of 2030. In a similar vein, for the most astounding emerging power, China, it is expected that "in market exchange rate terms, China [will] overtake the US in 2028 despite its projected growth slowdown."³⁶



Europe here includes all EU and non-EU countries in Europe as defined by the UN Statistics Division (except former USSR states such as Belarus, Moldova, Ukraine, Armenia and Azerbaijan, which are included by the UN in the Eastern Europe subregion).

Source: <https://developingeconomics.org/2017/09/27/the-brics-and-a-changing-world/> (last visited 20 January 2018).

There is a quasi-consensus in the international relations discipline that the global order is changing in shape and form.³⁷ The nature of this change, however, is a topic of intense controversy. Scholars, who put particular emphasis on the ontological underpinnings of the liberal international order, suggest that emerging great powers tend to rely on different norms, values, and institutions than the Western states. Given that the power balance is shifting in favour of the emerging world and the US is not as strong and willing as it used to be in providing public goods to stabilise the current international order, it is more likely that new regional orders are in the making across the world. This has major implications in terms of the alliance preferences of countries even located in Europe's neighbourhood. In the coming "multi-order world", Flockhart argues, "with alternative international orders emerging, cost-benefit calculations of states that do not really share the fundamental principals rooted in a Western identity looks set to change."³⁸ In this process, regionalisation should be taken as a trend-setting paradigm as the robust growth of emerging great powers and amplifying trade and investment opportunities increased their attractiveness in the countries located even at the periphery of Europe. The governance models and institutional structures of non-western great powers

diverge from the mainstream paradigm that the EU advocates as part of its transformative credentials. From an economic governance point of view, the emerging great powers seem to employ a strategic model of capitalism, which has two distinctive characteristics according to Bremmer.³⁹

First, policymakers that promote strategic capitalism believe that state intervention is a permanent feature of economic policy-making. State intervention is formulated as a strategic choice to design long-term policy alternatives. Strategic capitalists think that, rather than being an end in itself to expand individuals' opportunities, markets are primarily "tools that serve national interests."⁴⁰ The securitization of state-market relations reflects a new form of neo-mercantilism, which has become increasingly dominant in the formulation of states' foreign trade and investment policies. Stated differently, economic policies are considered as instruments of geopolitical rivalries among the states. China, for example, designs controlled foreign direct investment (FDI) regulations that oblige foreign companies to transfer know-how as part of their investments. The selective industrial policies and neo-protectionist tendencies are especially visible in the case in high-value-added industries in the case of China and geoeconomically strategic sectors such as energy in the case of Russia. Therefore,

the rise of great powers in the global South poses a great challenge to the free market economy model that the EU promotes in its relations with third countries. The increasing competitive edge and expanding market share of the emerging powers also restrains the EU's market power, as it decreases the EU's regulatory influence.

Second, strategic capitalist models have a distinct set of priorities in comparison to European governance models in their relations with third countries. Rather than attaching political conditionality measures to economic partnership agreements or development assistance, emerging great powers tend to promote flexible development schemes in their relations with partner countries. In a period when democratic efficacy and economic dynamism are on the retreat in Europe, the economic vigour and flexible corporation opportunities turn emerging powers into attractive models in terms of economic and political development. This admiration, then, influences alliance patterns of several countries. Not surprisingly, Russia and China emerge as attractive partners to cooperate with, even for countries located within the EU's sphere of influence. The weak crisis-management performance and ubiquitous collective action problems in the EU provide a fertile ground for emerging great powers to expand their sphere of interests. The subsequent crises of the EU such as

the euro turmoil, migration crisis, and finally the Brexit conundrum paved the way for the perception that the EU is not capable of dealing with the complex problems occupying its agenda. The EU's inefficient performance in the Syrian and Ukrainian crises further exacerbated this perception. One can suggest that the contradictory policies of the EU, arguably, jeopardised its political and economic leverage in the region and beyond, which in turn, opened up new spaces for other actors to exert their influence.

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The long-term economic performance of the strategic capitalist models in emerging great powers and the resilience of their appeal, however, is not far from debate. The emerging great powers, China in particular, are at a crossroads in terms of economic reforms and institutional transformation. The recent data suggest that emerging powers

have started to demonstrate sluggish growth performance as they approach the middle-income trap, which is considered as a crucial challenge for developing economies.⁴¹ The middle-income trap refers to the slowdown tendency for developing economies after GDP per capita has reached a certain threshold. For most countries it becomes quite challenging to improve their per capita figures from middle to high-income threshold. The World Bank's research estimates that of the 101 middle-income countries in 1960 only 13 reached high-income level status by 2008.⁴² The overwhelming majority stagnated in the middle. As the economy moves from labour-intensive and low-cost exports toward capital-intensive production, labour is re-allocated to high-value added sectors. This results in economic stagnation, as productivity growth from sectoral re-allocation and technology import disappears. The challenge for the emerging great powers, first and foremost for China, is to ensure economic diversification and transformation of institutions toward political pluralism that stimulate growth and underpin competitive edge. Only in this way can emerging great powers become a genuine rival to the European model of economic governance and act as the spearheads of new world orders. Nevertheless, the change in power balances appears to be a structural trend in international

politics rather than a temporary phenomenon.

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The debate so far suggests that the EU is at the crossroads of remaining a relevant global actor, capable of informing alliance patterns and global trends. In a world becoming increasingly fractured and fragmented, the EU has to develop new capabilities to live up to its commitments. In terms of security relations, the European leaders need to adopt proactive strategies to make the EU an independent security actor. In the past 50 years of the European project, the integration has unfolded in a stable security environment mainly provided by the US as the main funder of the NATO alliance. The US leadership, however, appears to be more hesitant to sustain the security structures of the Western alliance. In terms of political and economic relations, the EU needs to reconsider its governance model as well. This paper therefore suggests that the transformative power capacity of the EU is under a severe test due to the internal and external challenges. In a changing global order, where

emerging powers are becoming more assertive to take part in regional and global governance and the relevance of the West as a security community is declining, the EU model becomes less attractive in the eyes of several countries including those located in the European periphery. Thus, the EU's commitment to its normative identity, based on human rights, democracy and freedoms, appears to be more important than ever not only for the future of the European integration process but also for the shape and form of the incoming global order(s).

Conclusion: Holding the Centre

This paper argued that the EU faces serious tests in terms of its actorness in global politics. The transformative power of the EU is in jeopardy due to internal and external challenges. Drawing on the euro crisis and migration challenge, this study suggested that poor crisis management has led to the weakening of the EU role model and undermined the solidarity ethos among member countries. As a result, the EU has found itself in the middle of turbulence unprecedented since its formation years. From an external point of view, the changing geopolitical landscape in global political economy has put extra pressure on the European model of governance.

The liberal democracy and free market economy, as the two constitutive pillars of EU's transformative power, are being challenged especially by the revisionist emerging great powers in global politics. The European liberal model, as it appears, does not seem to constitute the 'only game in town' anymore. Thus, this paper argues that the debate on the potentials and limits of the EU's transformative power should be placed within the changing global context.

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That being said, it is arguably too early to make conclusive inferences regarding emerging world orders and the relative decline of the EU. There are at least two critical factors that are likely to shape the parameters of the debate in the coming years. The first one concerns the EU's revival capacity. Historically informed analysis suggests that the driving force of integration in Europe is crisis. The integration process followed a dialectical mechanism in the sense that each crisis forced the European

elites to search for innovative answers to the existing problems to protect the appeal of the EU in the eyes of member states and the external world. Therefore, crisis in European integration should not only be conceptualised as the culmination point and outburst of material contradictions but also as a moment of decisive intervention toward creative solutions. The outcome, however, depends on the extent to which European policy-makers demonstrate necessary leadership to reconcile the interests of member countries and the priorities of the EU supranational project. As Börzel suggested, the problem of the EU is not about creating more or less Europe but to overcome the “commitment-compliance gap” that hinders purposeful collective action.⁴³

The second factor concerns the institutional capacity of the emerging great powers in terms of political stability and economic performance. As was highlighted above, the emerging great powers have their own political and economic systems. However, we still lack adequate research to what extent and through which mechanisms emerging great powers are capable of creating a new order in the coming

multi-order world. Therefore, the appeal of this governance model and its demonstrative effect for the countries located in the periphery of the EU remain as an understudied area. The performance of the emerging great powers, similarly, is yet to be tested. The institutionalist political economy literature demonstrates that long-term development performance depends on the quality of economic and political institutions. Increasing institutional quality in the emerging great powers is still a work in progress. These countries need to improve their economic and accompanying political institutions to meet these challenges and offer a sustainable alternative model of governance.

In conclusion, one can suggest that the main defining characteristics of the contemporary international system are uncertainty and fluidity. The EU, in this context, is at a crossroads in terms of institutional restructuring and reformation. To sustain the EU’s transformative capacity the European elites should not only consider internal developments but also adjust to the transformations taking place in the global world order.

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