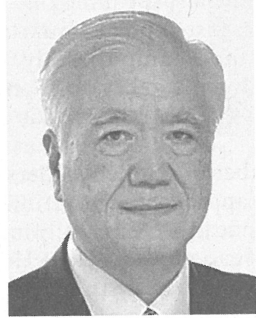


## Opinion &amp; Analysis

## Sense of crisis is cue for Europe's unity

Europe — at least, continental Europe, excluding Britain — is breathing a sigh of relief. Between late 2016 and the spring of this year, Europe was fraught with concern over the possible rise of parties and candidates championing anti-immigrant and anti-globalization policies in the Netherlands' parliamentary elections and France's presidential and legislative polls.

Ultimately, however, those right-wing groups ended up



INSIGHTS  
into the  
WORLD

By Hiroshi Watanabe

suffering setbacks on the voting days. Put simply, what happened before and during the elections reflected a two-stage reaction in Europe to the emergence of U.S. President Donald Trump on the other side of the Atlantic — initially euphoria among right-wing populists and later a thumbs-down from a large majority of voters.

Europe's right-wing parties were elated by the surprise victory last November of Trump, who seized on the pent-up discontent of his followers. They had been advocating a political agenda similar to Trump's, so their hopes spiked particularly at the outset of the year, saying, "Now, it's our turn."

However, the disarray of Trump's presidency made European voters feel uneasy and think "things could go wrong" in their own countries, too. As a result, no right-wing parties have since come to power in any European country. In a related development, the euro's exchange rate recently recovered to the level seen in the autumn of 2016, after months of sharp declines that were caused by political instability in Europe.

In Germany, Chancellor Angela Merkel's approval ratings have recovered. Earlier, she faced a volley of criticism for her "benign" refugee policy, with some political commentators even predicting she might be gone by late 2016. However, since the turn of the year, Merkel's Christian Democratic Union (CDU) scored wins in three state elections in Germany. Therefore, mainland Europe seems to now have a political environment that can be collectively or generally described as the "reemergence of Europe."

## Short-lived European unity

But things are not as simple as they seem. Looking back at the history of Europe, it is clear that each period during which countries on the continent recognized themselves as "members of Europe" was surprisingly short-lived — such times did not last long.

Formidable external menaces, such as invasions by the Mongol Empire and the Ottoman Empire, fostered residents' awareness of belonging to Europe. However, every time such a crisis was over, because the invaders' own internal problems led to their downfall, the sense of European unity evaporated as well.

The start of the Cold War between the United States and the Soviet Union in the middle of the 20th century set the stage for Europe to embark on efforts toward regional integration, predating the birth of the European Union.

Europe aimed to prevent itself from sinking into the chasm of the rivalry between the two great powers and instead preserve the integrity of European countries and confirm their identity.

However, the geopolitical pressure on Europe waned following the dissolution of the Soviet Union and the gradual choice of the United States — which enjoyed the status of the world's sole superpower for a while in the wake of the fall of the Soviet Union — to become an inward-looking country. Consequently, enthusiasm among the Europeans to pursue internal integration receded.

Brexit, or Britain's declaration to leave the EU, is the most extreme example of the loss of interest in such pan-European efforts. Britain did not feel emotionally connected to Europe in the first place.

However, continental European countries are now feeling the need to act in unison once again to ward off external destabilizing factors, namely Russia's aggressive territorial moves regarding Crimea and Ukraine and the emergence of an "unusual character" as the U.S. president tries to impose rash and reckless leadership.

These European moves are also gaining momentum because of concerns over the geostrategic ambitions of far-off China, which is aiming to "go west."

Core European countries' determination, spirit of mutual concession and resoluteness are imperative to make the current trend on the continent develop into a full-fledged, sustainable state of regional integration, instead of seeing it

fade away as a temporary phenomenon.

Needless to say, Germany and France are qualified to assume the role of core countries. After the end of World War II, they pledged to cooperate with each other, overcoming the resentment and hostility caused by centuries of strife. Both countries now need to make fresh commitments to working together further for European integration.

In the postwar era, Germany and France have been more or less on a par with each other in the fields of science and technology. But Germany is far more competitive in the area of manufacturing — in other words, France is far behind it. In the political sphere, too, France's instability has been conspicuous in the past decade. Is it still possible for Germany and France to strengthen cooperation in real terms, even with these obvious differences between them?

## Be the world's role model

There was an interesting scene when I attended an international symposium in Germany in early July.

Focusing on the future of the euro, a group of speakers referred to the asymmetric approaches of Germany and France to the single currency. They compared Germany's insistence on compliance with rules and the integrity of the currency regime with France's preference for member countries' discretion and freedom. The group also cited the divergence between the two countries regarding the eurozone's debt

burdens and redemptions — Germany advocates individual countries' responsibility and France favors collective settlements.

I immediately raised my hand, as I wanted to comment, "Such matters were repeatedly discussed and overcome in the previous century — or, both countries at least made efforts to fill the gap, didn't they?"

But I was a bit late. An American scholar was given a chance to speak — actually to conclude — and said that the analysis on the different stances of Germany and France was "quite clear" and, at the same time, it "made me convinced that there can be no developmental future for the euro."

From the symposium's perspective, the U.S. scholar's comment correctly reflected the upshot of the day's presentations and discussions. But it should be noted that any attempt to halt the dynamism of the euro, which has been in circulation in the real world for nearly two decades,

would require an enormous amount of energy and cause colossal losses to countries, corporations and individuals.

In the United States, both policymakers and the Congress have made little headway in repealing Obamacare, even though the Affordable Care Act has been in place for the brief period of just three years. Considering that the euro came into existence much earlier — in 1999 — there can be no way to simply say, "The euro is finished as of now."

Today, Europe continues to be the most affluent area in the world. If Europe cannot foresee its own future, the rest of the world, including impoverished regions, can hardly feel confident of the future and is expected to experience more trouble in the years to come.

For its part, Europe needs to draw up a far-reaching road map for utilizing its wealth to create a desirable society and a desirable economy. The region is obligated to do so because it has a history of consuming much of the world's wealth for several centuries.

Generally speaking, in Europe the private sector is prosperous whereas the public sector is fairly needy. To provide newly emerging and developing countries — which account for a majority of the world's overall population — with a guide to crafting their future images, Europe should efficiently set up a huge European-wide pool of private-sector assets and wealth to be injected into the public sector beyond national boundaries and country-by-country fiscal frameworks. It is time for EU member states to deepen their discussion on the matter.

Europe, in legend, was named after Europa, the Phoenician princess whom Zeus, the king of the gods in Greek mythology, fell in love with at first sight. Europe is said to be composed of the areas that Zeus toured with the beautiful princess. In one language, Europe means "wide-gazing."

I am looking forward very much to seeing Europe devise new solutions for its own future in a way true to its name based on such wonderful etymology. I am of the opinion — and the belief — that though Europe has been driven to the edge of the ring by external factors beyond its control, the region remains robust enough to eventually turn the situation around.

Special to The Yomiuri Shimbun

Watanabe is president of the Tokyo-based Institute for International Monetary Affairs, a post he has held since October 2016. From December 2013 to June 2016, he was governor and chief executive officer of the Japan Bank for International Cooperation. He was also vice finance minister for international affairs from 2004 to 2007.