REVISITING EUROPE’S GEOPOLITICAL LANDSCAPE AFTER THE UKRAINE CRISIS: AMERICA’S BALANCE OF POWER STRATEGY

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Abstract:
The unveiling of the economic crisis in Europe foregrounds the resurgence of geopolitics in transatlantic foreign policy analysis. With the EU project still at risk, a fragmented Europe allows Russia to gain ground and challenge the European power balance at large. We argue that the U.S. will seriously try to avert such a path and even loss of commitment towards further EU integration. In order to keep Europe united, we stress that the U.S. can exploit the Ukraine crisis by compelling Europe’s pivotal player (Germany) towards a European leadership fully committed to EU integration as its ideal option.

Keywords: U.S. foreign policy; European balance of power; Germany; Russia, European integration; Eurozone

Titulo en Castellano: Reevaluando el panorama geopolítico de Europa después de la crisis de Ucrania: la estrategia de equilibrio de poder de Estados Unidos

Resumen:
La crisis económica en Europa ha hecho resurgir de forma prominente la geopolítica en el análisis de la política exterior transatlántica. Estando aún sometido el proyecto de la UE a riesgos, una Europa fragmentada permite que Rusia gane terreno y desafíe el equilibrio de poder europeo en general. Sostenemos que Estados Unidos intentará seriamente evitar ese camino e incluso la pérdida de compromiso hacia una mayor integración de la UE. Para mantener unida a Europa, enfatizamos que Estados Unidos puede explotar la crisis de Ucrania y obligar al jugador fundamental de Europa, Alemania, a ejercer un liderazgo europeo plenamente comprometido con la integración de la UE, como opción ideal

Palabras clave: Política Exterior de Estados Unidos, equilibrio de poder en Europa, Alemania, Rusia, interacción europea, Eurozona.

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1. Introduction: Trouble within the transatlantic community

“An international system in the midst of profound change sorely needs the resources and leadership of a strong and collective Europe”3, which stands as the bridge of U.S. engagement in Eurasia. Regarding Europe, potential Eurozone breakdown leading to centrifugal Europe has further boosted Russia’s resurgence providing it with the likelihood to exploit cracks in the Western Alliance and raising issues for the broader European power balance. With the EU suffering a schism from which it might never recover, it is still debatable whether the European project can actually survive. The related risk is a potentially overstretched Germany abandoning its leading role, with the EU drifting into disarray. Should expectations for such a scenario predominate, then there is a possibility for Germany to seek an understanding with Russia on security and economic grounds with grave geopolitical implications.

In such circumstances, both Europe and the U.S. “will be challenged to make their own pivot away from a legacy relationship structured to tackle twentieth-century challenges to a more effective partnership that is more global, more equal and better positioned for a very new world rising”4. Further to discussing the significance of the pitfalls involved on both sides of the Atlantic, we review findings that provide a new direction for the resilience of the transatlantic partnership. We argue that U.S. strategy favoring a united Europe can exploit events in Ukraine and security fears in Eastern Europe to contain the German-Russian relation, leaving Germany with no better option than commitment to lead EU integration.

In the first part of section 1, we focus on Europe’s creditor-debtor divide between North-South as the key source of fragmentation residing in both sides being entrapped into a partnership-in-debt which is however very difficult to break apart without inflicting mutual damage. The predominance of the creditor-debtor divides rather than a consistent European-wide response to the crisis, apart from sustaining systemic ambivalence and loss of confidence has also introduced elements of geopolitical uncertainty. In the second part, we discuss the implications for European security as a result of the U.S. geopolitical rebalancing strategy introduced by the Obama administration (2009-2016). In the context of its declining preeminence, the U.S. will attempt to redefine “balance of power” across global regions5 with its allies and partners having to carry a heavier burden on the defense front. As the U.S. grows less willing to accommodate free-riders, the Europeans will have to elevate defense spending to address their security vacuum including Russia’s revived assertiveness.

In section 2, we analyze the dynamic interconnections between economic (euro area) and security issues (Russia) posing fundamental challenges for the future of the EU and the critical role of the U.S. in influencing potential outcomes. The methodology that is followed sheds light on how the Ukraine crisis symbolizes a policy shift and a definite signal of America’s shifting geopolitical strategy to: a) address the economic and security linkages in the EU context, b) establish a balance of power that should keep Europe united and capable of sustaining its slow but determined pro-integration drive. We argue that the geopolitical balance of power spearheaded by the U.S. in Europe tilts the balance further, perpetuating a partnership rather than allowing it to succumb to its cracks. According to this logic, Europe’s pivotal player (Germany) will have to perform its leading role by way of stabilizing the Eurozone while

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accepting lesser degrees of freedom regarding the potential reach of its relations with Russia, on account of the dilemmas placed upon it by the U.S. in the field of European security.

In section 3, we assess prospects for a European defense arrangement. Out of geopolitical necessity led by the U.S., we argue that a more stand-alone European security system contributing its fair share to NATO’s capabilities might come forward. This is hardly possible outside the context of rekindled efforts towards EU integration and although these will be led by Germany in the economic field, France holds the strongest card on defense issues. The prospect of reviving a less asymmetric and more geopolitically balanced Franco-German axis provides a window of opportunity for the future of the EU serving as deterrent to potential destabilization. In our concluding remarks (section 4), we concentrate on how the Rome Declaration might serve as a first indication of intent by leading European powers to address the challenges entailed in future integration.

1.1 The European Schism

The globalization induced rise of emerging markets via Western technology transfers led them to account for half of global GDP by focusing on low-mid technology exports. Advanced economies were henceforth supposed to also undergo productive restructuring towards higher added value exports to set the basis for sustainable mutual growth via global trade. However, there was a twist as emerging markets reverted their traditional collective external deficit to a widening surplus, overdone by high savings and currency policies (China, Tigers, and commodity producers).

Similar efforts by traditional exporters (Germany, Japan) to sustain competitiveness doubled the global external surplus and thus deficit. Surplus countries became creditors via capital outflows directed primarily towards private sectors in advanced economies (USA, EU periphery) that became debtors, enticed by low interest rates from elevated global liquidity that eventually led to the global economic crisis. The crisis soon revealed a global geopolitical imbalance well underway and specified in the so-called “relative decline” of the West. This was mostly the result of the described economic power diffusion, upsetting the equilibrium of U.S. preponderance that was led to adopt a balance of power strategy across global regions containing its sole superpower unipolarity.

The global economic imbalance specified in the distinct global divide between large creditor and debtor economies has its counterpart in Europe. This lies in the North as creditor (Germany, Scandinavian economies, Austria, Switzerland, the Netherlands) focusing on export-led growth while the South and less so East Europe as debtor on spending-led growth (South & Eastern Europe, Ireland, UK). The process was triggered by elevated global liquidity and post-Euro low interest rates under diminished country risk perceptions. Broadly, the North kept recycling its external surpluses to the rest via capital flows, generating equivalent and unprecedented external deficits (Figure 1). This also encouraged a resource shift towards exports for creditors and towards the home market for debtors as their economies overheated and became less competitive.

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Figure 1. External Deficits

![External Deficits Chart](chart.png)

Source: EU Economic & Financial Affairs, own calculations

Post-crisis, incompatible export-led and spending-led growth models by creditors-debtors required rebalancing via a role reversal. Creditors becoming more internally oriented for their growth boosting spending while debtors more externally oriented raising savings and net exports to creditors. Further, to containing external imbalances and debt this would allow for productive restructuring as creditors had pre-crisis and for over a decade overextended in exportable and debtors in non-exportable sectors. What stands out is that post-crisis and given a common currency most debtors engaged in austerity eliminating external deficits, while creditors hardly adjusted. Instead, they opted for self-imposed austerity penalizing domestic demand ensuring the perpetuation of still high trade surpluses backed by competitive wage restraint. In this context, debtors had limited potential to grow as wage reductions - given that productivity enhancing reforms take time to materialize - shrank their home market while more importantly weak domestic demand by creditors contained their ability to grow by exporting. Thus, gains from the free trade zone were revealed as asymmetric, to say the least, and the Euro too inflexible requiring the slow and politically painful process of gaining competitiveness mostly via wage declines for debtors with hardly any accommodation by creditors. Fragmentation was most evident in Southern Europe, which instead of realizing gains similar to those seen by emerging markets via FDI from advanced countries saw their economies tilting in the opposite direction. The unfinished monetary union did not allow for a united and efficient response to the crisis or Europe wide policy coordination upfront. The consequent European race to the bottom was revealed in stagnant growth and persistent core-periphery divergence (Figure 2). Even creditors barely regained GDP losses despite partly replacing intra with extra European exports, explaining their post crisis large external surpluses averaging at 5.8% GDP per country.

Figure 2. GDP Growth

![GDP Growth Chart](chart.png)

Source: LSR analysis
This European policy induced economic underperformance not only intensified the drift against debtor countries but also fueled global tension as it ended up generating growing external surpluses for the EU as a whole, with Germany having exceeded pre-crisis levels. These keep fueling global imbalances amounting to a beggar-thy-neighbor stance implying that Europe aims to recover primarily by exporting at the expense of the rest of the world i.e. China, U.S. and Japan (Figure 3).

**Figure 3. Foreign Trade**

[Image of a graph showing foreign trade data for various countries]

Source: LSR analysis

Will the latter keep accommodating Europe and its creditor economies? Efforts by China-Japan to regain via weaker currencies and U.S. expressed annoyance at Germany sustain tension. Currently, the global economy keeps relying on U.S. expansionary policies and action by central banks supporting what proves to be an ever-lagging demand that simply sustains a global growth underperformance often specified in secular stagnation at country level, especially for advanced economies. This is because such policies postpone the “creative destruction” entailed in productive resource reallocation required by both creditors-debtors away from the respective sectors in which each had overextended as a prerequisite for reinstating the basis for global growth via sustainable trade patterns.

The implications of the European debacle for prosperity encouraged the rise of anti-Euro sentiment and elevated once more the issues of national sovereignty, epitomized with Brexit and the rise of political populism across countries, as crisis resolution implied even greater interdependence in the future. The uncontrollable nature of popular sentiment brought to the limelight the geopolitical imbalance in Europe arising from risks posed to the Eurozone that by default elevate Russia’s position. The initial focus was on South Europe as it directly relates to economic Eurozone risks and security issues via migration flows. Yet, Eastern Europe (including the Balkans) plays a crucial role for core geopolitical issues vis-à-vis Russia especially as national sovereignty issues in these countries are on the rise. However, the final resolution will greatly depend on Germany as de facto EU leader with a special relation to the U.S. and Russia as stakeholders in geopolitical developments in Europe. This will be the focus of the rest of this article.

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1.2 U.S. foreign policy revisited: Implications for European security

1.2.1 Enter the United States: From sole superpower to balance of power

With international politics slipping from their post-Cold War peak, global challenges continue shifting the centers of economic power and progressively redirecting the flow of political authority and influence. In the context of its declining preeminence, the U.S. will still continue to engage itself as the leading power. However, instead of a hegemon, America will avoid overstretch and likely simulate the role of “a chairman of the board, convener-in-chief, a catalyzer and -decreasingly- the world’s first responder to global crises”\(^8\). Towards this direction, in order to maintain U.S. primacy and a liberal international order within the wide contours of America’s globalism, the Obama administration (2009-2016) set the context for pursuing a grand strategy across issues and regions “at reduced costs, via more supple and energetic diplomacy, and in ways that better reflected the shifting landscape of global power”\(^9\).

Following power politics limitations as a result of the failure in Iraq and the side effects of the debt crisis, the administration has introduced a “balance of power” strategy and its adjustment in the modern global context of “diminishing unipolarity and even transition towards a multipolar world in the future. This strategy is primarily a means towards a geopolitical rebalancing process. On the one hand it addresses “relative decline” on account of emerging players and on the other the unveiling of pre-existing regional imbalances that had remained frozen under the security consensus imposed by the hegemonic force”\(^10\). As a strategy-driven and priority-focused policy, this rebalancing process facilitates U.S. aims to minimize its reliance on direct control and military intervention. It resorts instead to shifting dynamic alliance relationships with regional players to achieve and maintain a new balance of power. Even so, America will continue acting as the primary balancer for coherently tying together regional strategies and –when necessary- throwing its combined weight to correct deviations from the desired regional balances\(^11\).

What is more, this strategy of managing regional balances of power enables the U.S. to effectively prepare a rebalance of its engagement geographically e.g. to address the long-term challenge of potential U.S.-China bipolarity. As a pacifist President, Barack Obama put forward the need for establishing a closer and more favorable geopolitical understanding between Washington and Beijing over regional security. By reducing its security footprint in regions like Europe and the Middle East, the U.S. administration decided to pave the way for progressively pivoting its strategic gaze to Asia-Pacific with the aim of becoming the central broker in China’s external relations\(^12\). While cementing Beijing’s “peaceful rise”\(^13\) through its deeper integration into the international order, the U.S. attempts to maximize its leverage to allow for forms of global cooperation with China avoiding however to concede global and even overt regional power sharing.

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\(^{11}\) Ibid.


1.2.2 Enter Europe: The end of “free-riding”

A fundamental element of President Obama’s strategy of continuity with U.S. global leadership, has been to redefine “leadership as creating the conditions within which America’s friends and allies have fewer incentives to ‘free-ride’ on U.S. foreign policy and greater commitment to accept their share of responsibility for addressing global problems”. 14 In line with the President’s view of “taking a more restrained, economical, and precise approach to using U.S. military power”15, the administration approached the transatlantic partnership and judged its value “far more pragmatically and with less of a Eurocentric focus, than many European allies had originally expected”.16 It was time for Europe to stop punching below its weight, become more operationally effective and carry a larger part of the transatlantic defense burden.

Back in 2011, the most noticeable example of U.S. security policy in Europe was given by former Secretary of Defense Robert Gates. He warned America’s NATO allies that NATO has become a ‘two-tier organization’ and a “future U.S. Congress will not allocate resources to European security if Europeans are unwilling to invest in their own defense”17 and benefit from the synergy effects of their combined existing resources. Similarly, “the administration’s 2012 Defense Strategic Guidance made clear that a key aspect of preserving U.S. military dominance entailed husbanding that power to a greater degree”.18 In light of the above, as of January 2017, following the surprise election of Donald Trump, the new administration has utterly evoked the daunting imbalanced burden-sharing within America’s alliances; including its pronounced unwillingness to continue supporting allies who still hesitate supporting themselves19.

Although the Trump administration approaches U.S. foreign policy quite differently compared to previous administrations (including U.S. strategy towards Russia), a variety of domestic considerations imply that as the administration continues to evolve its strategy, it will probably be pulled and finally come to terms with the historical mainstream of America’s global policy. Sooner or later, according to the baseline scenario, “the foreign and security policies pursued by the Trump administration may ultimately turn out to be more conventional than his critics fear”20. Continuing on this line, the Europeans have more incentives to upgrade their security arrangements and less room to maneuver on free-riding the U.S. In the next sections, the article will focus on how the crisis in Ukraine and Russia’s power status have served as a

15 See Brands, op. cit., p. 105.
16 See Hamilton, op. cit., p. 27.
17 See Manning, op. cit., p. 125. In his much-discussed speech Gates also underlined the issue of a possible generational afoot in the United States: “Future U.S. political leaders –those for whom the Cold War was not the formative experience that it was for me- may not consider the return on America’s investment in NATO worth the cost”. Six years later, in February 2017, in an apparent reference to Obama’s successor President Donald Trump, U.S. Secretary of Defense James Mattis told his NATO peers that “the impatience Secretary Gates predicted is now a governmental reality”. See Valášek, Tomáš: “A New Transatlantic Security Bargain”, Carnegie Europe, 23 May 2017, at http://carnegieeurope.eu/2017/05/23/new-transatlantic-security-bargain-pub-70050.
18 See Brands, op. cit., p. 105.
19 Indicatively, “the administration wants each NATO ally to produce by the end of 2017 a concrete plan demonstrating how and when it will spend 2% GDP on defense (only five do so far), with 20% allocated to the modernization of equipment and infrastructure”. Hamilton, Daniel S.: “Trump’s Jacksonian Foreign Policy and its Implications for European Security”, Swedish Institute of International Affairs, Ulbrief No.2 (2017), at https://www.ui.se/globalassets/bukten/ui-brief/2017/hamilton-ui--brief.-05-23.pdf.
testing ground for assessing both Obama’s balance of power strategy in Europe and Trump’s policy for faster delivering on European burden-sharing.

2. Europe’s strategic landscape: A geopolitically contestable region

The ongoing Eurozone crisis highlights a range of multi-year problems and serves as the absolute dashboard for addressing the challenges that will irrevocably shape European integration’s future prospects. The existing risk factor of a declining EU, in both absolute and relative terms, will irreversibly harm the transatlantic community’s combined capabilities thereby causing a major economic and security concern for U.S. strategy in Eurasia. Putting an end to the European project which served as a model for others to follow in institutions of global governance would constitute a great setback for the West. Analysis would then focus on how badly America’s core competence and ‘imperial flagship’ for sustaining its role as a global actor, particularly its ideological strength of democratic culture, will be harmed.

Taking note of the Eurozone crisis, the study of both history and international relations reveals that geopolitical matters eventually take precedence over pure economic issues. Germany’s lack of flexibility as de facto EU leader might jeopardize and even derail the European project. “The risky scenario would be for Germany to become too overstretched to drive the EU project that would then fall in disarray.”21 In an environment where core EU balances have been fragmented, the art of geopolitics involves obeying the rules of a medium-term game strategy. Considering that the main European creditor is aware of such an unavoidable scenario, is there any alternative strategy for Germany? The only available policy instrument for sustaining its ‘hyper’ export-dependent growth model would involve the pursuit of a greater strategic approach and the establishment of an enhanced partnership with Russia.

Bearing in mind that “Germany’s policy toward Russia has long been based on political engagement and economic interdependence”22, a purely economic perspective based on commercial realism would recognize the benefits of promoting a German-Russian axis. Such a policy would allow a further boost of German exports in exchange for energy and cheap labor for FDI and even migration. This would require an understanding with Russia to ensure security for both Germany and also Central and Eastern Europe (CEE) as both a sphere of influence and a security buffer versus Russia.23 “In this case, an ideal but far from certain scenario for Germany would be continued security backing by an alarmed U.S. eager to avoid on the one hand overt compromises by Germany towards Russia and on the other a potential break-up of the Franco-German axis leading to a return towards bilateralism that would elevate Russia’s position with France potentially forced to upgrade relations with Russia to antagonize Germany.”24 All of the above point towards an environment presenting similarities and centrifugal forces with post-War Europe. This risky scenario might be approached as extreme yet critical primarily due to its geopolitical viability, on the assumption that EU dismantling comes to be perceived as highly likely, leaving fragmented Europe in a state of conflict and uncertainty. Nonetheless, the U.S. would decisively act to minimize such risk factor which poses a series of strategic implications for its policy in Eurasia.

In view of the above, with Russia’s strategic behavior coming forward more belligerent over time, the conflict in Ukraine and the future of Europe’s order in the post-Soviet space further highlight the dynamic interconnections between economic and security issues at the EU

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21 See Anastasiadis, op. cit., p. 137.
24 See Anastasiadis, op. cit., p. 137.
level. That being said, as a consequence of the Ukraine crisis, Europe finds itself well positioned as a meeting point between: a) the geopolitical rebalancing process that identifies current U.S. grand strategy across issues and regions with Europe committed to carry a larger part of the transatlantic defense burden b) the fundamental necessity of establishing and managing a European balance of power to preserve EU’s integration process and deter Russia’s new assertiveness, c) the importance of containing Germany’s de facto European leadership under U.S. security umbrella demonstrating to Germany that it does need Europe in order to be relevant in the future and should thus focus on addressing the challenges that can weaken the EU.

2.1 The Ukraine crisis and U.S. policy: Grasping the big picture

Following the collapse of the Soviet Union, former USSR has faced a demise of more than 40% loss of territorial influence in Caucasus, Central Asia and Europe. The defeat of the Great Russia vision that had been sustained for decades was replaced by increased concerns over Russia’s dramatically eroded geopolitical position and its containment by the U.S. Even more, Russia’s failure to modernize its economy alongside the key constraints of its poor socioeconomic status related to oligarchic state capitalism’s chronic problems of extensive corruption and grim demography, do not allow for the empire vision of a Euro-Asiatic prime power to flourish. On the contrary, despite its partial revival after the traumatic post-socialist transition period, Russia still faces the symptoms of a sliding economy and a declining power.

Having affirmed an authoritarian political tradition that seems to sustain a dysfunctional state and a weak country, Russian President Vladimir Putin applies his counter-policy in a dictatorial fashion. As such, the strategic dilemma of Russia’s geopolitical orientation between West and East keeps hanging on. Kremlin’s strategy of “defensive aggression” is not a confident revisionist one. Rather it portrays Russia’s last hope for sustaining a modus vivendi with the West. By adopting a protectionist pattern through a set of destabilizing policies over critical buffer territories, Russia is struggling to hold its dominant role against the West as the undisputed regional power broker. An opportunistic stance in the urge to attract short-term gains, it presents the example of a declining power attempting to reverse its medium to long run worsening geopolitical outlook.

The conflict in Ukraine might serve as an important testing ground for the various possible outcomes. As a pivotal state, in both geopolitical and cultural terms, Ukraine matters most for Putin’s regime. Putting Russian views into perspective, Ukraine’s independence from Kremlin’s control would imply further retreat in: a) vast European space and bargaining power that serve as a core buffer zone to the West for securing Russia’s strategic depth, b) Black Sea dominance c) Russian claim to act for a pan-Slavic identity which coupled with loss of the Baltics negate the vision for a Euro-Asiatic empire.

Facing the risk of losing Ukraine as a whole and accepting a major geopolitical defeat of its core interests over the crown jewel of the former Russian empire, it was soon evident that only in the strategic Crimean Peninsula, “where there was already a substantial Russian military presence and was in any sense under Moscow’s control” could the Russians save face. Thus, to secure their vital naval base in Sevastopol (home of the Black Sea fleet) through the use of conventional and hybrid warfare, Russia invaded and annexed Crimea in March 2014. “By

26 Russia “has used such hybrid tactics for nearly eight years against Georgia, Ukraine, Moldova, the Baltic States, Poland, and others. They include fomenting political insurrection, cyber-attacks, energy cutoffs, nuclear intimidation, provocative military exercises and deployments, incursions using special operations forces, direct military invasion, and annexation”. See Binnendijk, Hans: “Deterring Putin’s Russia”, *Center for Transatlantic*
annexing Crimea, on the basis of its military significance and ethnic composition, Russia revived some of the classic concerns of European security.” 27 and convinced the Americans’ of its aggressive status. Most importantly, Russia’s Ukraine policy allowed Washington to start coordinating an alliance system that places Moscow in a tactical confrontation game of medium-term character which is far too difficult for Russia to win. Very quickly, Crimea’s invasion “resulted in the expulsion of Russia from the G8, the breakdown of relations between Russia and the United States, a significant cooling of relations between Russia and Western Europe, and the use of economic sanctions by the West against Russia.” 28

Based on the present situation, a primary alternative policy for Russia would be to turn to Asia, with the visible risk of triggering a U.S.-China alliance to contain Russian influence. After all, Russia and China constitute geopolitical rivalries with conflicting interests, both in Central Asia over Russian efforts for continuing to monopolize energy resources and Eastern Siberia traditionally eyed by China. In essence, China’s rise in the East coupled with the empty Russian territories of Siberia add another risk for loss of influence possibly more serious than Ukraine. Beyond that, in the next sections we discuss how Russia lost the potential for a future alliance with Germany. As a result of the crisis in Ukraine, it is now perceived as a more than downside scenario. Thus, Russia can’t believably threaten the West with a potential anti-U.S. alliance with either China or Germany. More likely, Russia can find itself strategically squeezed between an expanding Europe and China. Such a path highlights the burdensome position in which Kremlin might be moving towards. In fact, any future gains depend almost entirely on the inability of Europeans to sustain the EU project and hopes that they repeat their historical proneness towards self-destruction including with Russia’s participation.

To draw a conclusion, as Russia faces symptoms of a retreating power, “this is in the end far more a Russian crisis than a western one.” 29 As such, Europe and the U.S. should be more confident to deal with Russia’s decline. With this in mind, the European option can breathe new life into Russia providing that Russians accept the real and accurate dimensions of their downgraded power. However, should Russia wish to turn to the West, this course of action will have to be compatible with the terms and conditions set by the EU and the U.S. Noting that a backsliding regional actor does not meet the required standards for global power sharing, it is preferable for Russia to accept the West’s political platform for closer mutual cooperation. In the interim, the U.S is likely to assume that “with Russia and Ukraine, what continues to be required is a mixture of efforts designed to shore up Ukraine economically and militarily, strengthen NATO, and sanction Russia.” 30

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27 Freedman, op. cit., p. 8.
29 Freedman, op. cit., p. 29.
2.2 From “leadership avoidance reflex” \(^{31}\) to “chief facilitating” \(^{32}\) leadership: Washington’s engagement in Berlin’s balancing strategy

Taking into account that between Russia and China perceptions of fears and mutual suspicion towards one another will prevail, it is difficult for Russia to carry out this policy with success. With Russians being the ones that face the highest risk, they acknowledge their relative weakness for embarking on such a long-term strategic approach towards China. If this is the case, then the Russian pendulum swings in Germany’s favor. The size of the Russian market to accommodate German exports side by side with Germany’s energy dependence on Russian gas, are evidences of Moscow’s strong bargaining position vis-à-vis Berlin. The conflict in Ukraine signifies the overturn of such a possibility and displays Germany’s “limited ability as secondary power to uphold an independent course even inside let alone outside Europe”\(^{33}\). Accordingly, it allows the U.S. to pursue a balancing strategy over Germany’s reluctant and contested position to address the phenomenon of ‘leaderless Europe’ \(^{34}\) and fit the pressing needs of a more committed EU leadership. As a further matter, the Ukraine crisis paves the way and introduces more favorable conditions for reviving the Franco-German tandem which could unlock the process of a more functional and coherent EU.

In particular, Russia’s decision to escalate the conflict in Ukraine and move to forcefully annex Crimea symbolizes the end of Germany’s neutral arbiter role between Russia and the West. \(^{35}\) Undeniably, Russia’s counterattack in Crimea caused a serious security issue in Germany and CEE countries thereby forcing Berlin to shift its policy and strongly participate in the western front against the Russian threat. Hence, the Germans, tied into a stalemate suitable to American interests, are now compelled to play a leading role in a precarious state of affairs with Russia. As a result of the security dilemmas placed by the U.S., Berlin joins forces with Washington to face Russia’s aggressiveness. Indisputably, without U.S. support and the guarantees it provides for Europe’s security concerns, the geopolitical role of Germany in CEE is in serious doubt. The second factor responsible for putting extra pressure on Germany’s Russia policy and further favoring American interests, associates with the strong reactions to counter Russia’s aggression on behalf of CEE countries (with Poland being the most prominent one\(^{36}\)). After all, the group of CEE countries remained suspicious and never consented to be put under Germany’s absolute dominance. Correspondingly, due to heightened security concerns,


\(^{32}\) In early 2015, following the Ukraine crisis, Germany’s Foreign Minister Frank-Walter Steinmeier announced that “Germany will seek to play an efficient role as Europe’s ‘chief facilitating officer’”. See Hellmann, Gunther: “Germany’s World: Power and Followership in a Crisis-Ridden Europe”, Global Affairs, Vol. 2, nº 1 (January 2016), p.7.

\(^{33}\) See Anastasiadis, op. cit., p. 137.


\(^{35}\) With Germany defining its interests in primarily economic terms while also obeying the rules of a dove foreign policy, “a strategy of binding Russia through socializing the country into European values (‘Einbindung’)” had been chosen by Berlin as the most suitable pattern of cooperation”. See Larsen, Henrik Boesen Lindbo: “The Russo-Georgian War and Beyond: Towards a European Great Power Concert”, European Security, Vol. 21, nº 1 (March 2012), pp. 103-111. Noting that the strategy of ‘rapprochement through economic interlocking’ has failed, the deepening of the Ukraine crisis has produced a shift in German political establishment and public sentiment for a more active involvement in Europe’s security affairs. See also Keller, Patrick: “Germany in NATO: The Status Quo Ally”, Survival, Vol. 54, nº 3 (June 2012), p. 104.

Germany or even the EU would be unable to defend them on their own. Instead, prevailing national security views embrace the role of the U.S. as the de facto regional security guarantor. Finally, CEE countries want to avoid being excluded from a series of critical negotiations that will follow between Berlin and Washington on the regional security outlook and assign this role exclusively to Germany.

With Poland to be set now as an interlocutor between Germany and Russia, the crisis in Ukraine highlights the potential of a future European tripartite partnership (the “Weimar Triangle”) which has been supported by the U.S. In a period when France’s economic status continues to weaken and becomes increasingly asymmetric compared to the German one, an upgrade of its role in Europe’s political and strategic affairs enhances French influence and contributes to a more efficient foreign and security policy-oriented EU. Likewise, developing a Franco-German risk sharing partnership will further facilitate Berlin’s efforts for the joint exercise of a geopolitical role compatible with the transatlantic views expressed. The above have set in motion a diplomatic victory for Washington. Needless to say, that such a medium-term strategy indicates a stepwise process that has to be done carefully and above all strategically for being implemented to the full extent. As the risk of an accident always lurks, one should bear in mind that the U.S. unfolds its policy in a remote context.

Furthermore, in terms of the sanctions imposed by the West, Germany cannot step away from this context anymore. Berlin’s focus will now turn on its bridge builder role with the aim of avoiding another round of escalation surrounding Ukraine’s frozen conflict. If Berlin decides to break the transatlantic front, it will pay a high price with the obvious risk of losing ground in CEE. That being said, it is not a coincidence that in the end, the Germans went beyond against the Russians and “took the lead in both coordinating sanctions within the EU and in negotiating a ceasefire with Russian President Putin.” At the same time, neither Russia has exerted strong pressure on Germany, presenting it with a dilemma which, at least currently, it does not wish to set, since the odds against it are compelling. President Putin will likely have to accept that breaking up the Western Alliance must be postponed for a more appropriate date. Moreover, despite any reactions, there is no sign of strong pressure within Germany itself for withdrawing its support over sanctioning Russia. Although some form of ‘special relationship’ between Berlin and Moscow will continue to exist the real issue has always been to contain and devalue its future prospects. Still and all, as long as Putin’s regime preserves its dominant position it will be hard for the West to take meaningful steps and reset its relationship with Russia.

3. A race against time: Europe’s struggle to be strategic

The success of America’s balance of power strategy in Europe touches on the delicate issue that a higher-degree of burden sharing among its European allies comes forward. Towards this

37 Regarding Polish strategic culture in particular, “the betrayal of the Poles by their allies at Yalta in 1945 is especially significant and has led to the Polish belief that the country should be a dependable ally, that it should support the principle of self-determination, and that Poland should always participate in decisions concerning its interests […] Essentially, Poland’s European allies failed at every point to support and protect the country against invasion in 1939, and skepticism regarding the European’s security and defence competence has remained.” Ibid.

38 “Weimar” stands for the triangular relationship between Germany, France and Poland which has, for good reasons, been conceptualized by German strategists right after unification as the core (and by necessity trilateral) relationship of Europe’s “central power” on the one hand and its most important strategic partners to the West and East –both of whom had been victimized in special ways by German power”. See Hellmann, op. cit., p.8.


41 In 2016, U.S. defense spending stood at 3.61% of its GDP compared to a combined 1.47% for NATO’s European allies.
direction, at NATO’s Wales Summit in September 2014, the member-states of the Alliance agreed to set higher defense spending goals\textsuperscript{42} and reaffirmed the NATO goal for spending 2% of their GDP on defense by 2024\textsuperscript{43}. On top of that, the Wales Summit “took important steps in the direction of amplifying NATO’s deterrent capability against a Russian conventional attack on its eastern flank”\textsuperscript{44}. “By late 2016, “the long post-Cold War slide in European defense budgets had apparently bottomed out, the alliance was implementing a quasi-permanent troop presence in Eastern Europe, and Washington and its allies were working to improve interoperability, prepositioning, rapid response, anti-access/area denial defeat, and other critical capabilities”\textsuperscript{45}.

With the end of Obama’s administration and the beginning of Trump’s Presidency, America’s allies understood that the new administration will be more results-oriented on the defense front for European burden-sharing. In addition, Europeans were more than alarmed when listening to President Trump’s statements for adopting a softer stance and pursuing a policy of constructive re-engagement with Russia. Nevertheless, a more stay-the-course approach will probably prevail over the new administration’s Russian policy\textsuperscript{46}. Be that as it may, due to America’s diminishing direct involvement, the Europeans have acknowledged that they remain fully exposed and with minimal security arrangements to deter Russia’s revived assertiveness. Hence, in an era of daunting challenges for sustaining the momentum of European integration, EU member-states also face an unprecedented security and above all geopolitical risk for defending the European order.

With that in mind, boosting efforts for enhancing European defense capabilities will provide a solid counterweight to hold the process of existing centrifugal forces that accelerates the division of the EU. Such ambitious megaprojects take long time to get off the ground, require consistent commitments on behalf of the member-states involved and make almost no sense outside the EU framework and the deepening of the integration process. To put it briefly, the path leading to an undisturbed upgrade of Europe’s security goes hand in hand with taking further steps towards European supranationalism. Conclusively, the idea of European integration and the logic of collective action will be the most pivotal ones for gradually ensuring capable and lasting deterrence against Russia.

Tackling Moscow’s neo-revisionist strategy in particular, one should bear in mind that Russia remains too weak to spread confidence or even worse to lead an anti-hegemonic front for the creation of Kremlin’s so called “post-West world order”. Still, in an effort to

\textsuperscript{42} See Binnendijk, \textit{op. cit.}

\textsuperscript{43} In Europe, only Britain, Poland, Estonia, and Greece reach the 2% NATO goal.

\textsuperscript{44} \textit{Ibid.} On a bilateral level, the U.S. will also have to contribute resources for strengthening Eastern Europe’s defense and security sectors. We should expect financial aid programs through soft loans to be provided to key-countries of the targeted area (e.g. Poland, Romania-Moldova, Bulgaria, and the Baltic states). So that the new European balance of power can be established with success, allowing outreach policies towards strategically important regions and setting forth an up to date comprehensive strategy for the Black Sea basin.

\textsuperscript{45} However, “as RAND Corporation analysts noted in 2016, NATO was still far from being able to mount a credible defense of the Baltic states, and its forces there would be quickly destroyed by a determined Russian assault”. See Brands, \textit{op. cit.}, p.115.

\textsuperscript{46} In July 2017, U.S. Congress -with overwhelming and bipartisan support- approved new sanctions on Russia that primarily tighten existing ones and place Moscow in a worse position than before. The bill also limits the President’s authority to lift sanctions without congressional approval. As such, it further constraints President Trump’s efforts to reset relations with Russia. Aside from that the “administration has reinforced its commitment to the European Reassurance Initiative of $3.4 billion annually, which has funded renewed U.S. forward presence in Europe, and to NATO’s Warsaw Summit (2016) initiatives, particularly forward deployment of NATO multinational battalions to the Baltic states and Poland”. See Hamilton, “Trump’s Jacksonian Foreign Policy and its Implications for European Security”, \textit{op. cit.}
counterbalance its lost strategic depth, Russia will “try to appear more powerful than it is and meticulously manage what power it has”47. Such policies will possibly involve a range of low-cost and low-risk actions to preserve remaining buffers against the West48. In this context, cracks and uncertainties in the Western Alliance seem the remaining opportunity for Russia to elevate its power status and increase its multi-regional influence. As long as Germany’s preferred strategy is towards further EU integration, the Russia option would arise only if Eurozone break-up seems certain or the U.S. decides to withhold its security umbrella from Europe. Otherwise, Germany will maintain its special relation with Russia, but this will be contained by broader Western interests49. In the end of the day, deploying old Soviet strategies with the aim of destabilizing the European project from the inside out will continue to mark Russia’s interference both in the core and the periphery of the EU.

In view of developments that have sketched Europe’s shifting geopolitical landscape, Germany’s reluctant and highly contested ‘wait-and-see’ position comes to an end. Thereby forcing Berlin to engage in long-term strategic planning and readress the responsibilities arising from its leadership status in the EU. In a race against time, the fact that the plethora of challenges involved have now included a European defense project, adds additional hurdles for sorting out Germany’s cultural constraints and the political norms that go with it. In light of absolute necessity, the Germans were pushed to lead alone and not at all comfortable with the idea of a solo German leadership in Europe. Germany’s power is fully reliant on economics and furthermore on exports implying elevated risks in case of engagement in conflicts. This is further to the fact that Germany will in any case have to accept a lesser export performance and with it slower gains in relative living standards vis-à-vis the rest of Europe in order to cement European economic unity.

Beyond doubt, following the crisis in Ukraine and later on the demands of the Trump administration for a speedy fixing of the transatlantic imbalanced burden-sharing, Germans neither wished nor can rapidly undertake such heavy-handed responsibilities. In this respect, out of geopolitical necessity spearheaded by the U.S., Germany might become an enabler for European defense but will first seek to cement increased mutual dependencies and risk-sharing arrangements with credible EU-NATO partners50. On these terms, France holds the strongest card. As America’s key security ally in Europe after Brexit, it will probably enjoy a special


48 Once and again, Russia “has been probing the periphery of NATO and the EU; it seeks to undermine the integrity of those institutions via efforts including paramilitary subversion; military intimidation by means of unlawful overflights, aggressive snap exercises, explicit threats, and nuclear saber-rattling; financial support for anti-EU and anti-NATO politicians; and other forms of intervention in the political processes of European countries as well as the United States”. Brands, Hal and Edelman, Eric S.: “Why Is the World So Unsettled? The End of the Post-Cold War Era and the Crisis of Global Order”, Center for Strategic and Budgetary Assessment, 25 May 2017, at http://csbaonline.org/research/publications/why-is-the-world-so-unsettled-the-end-of-the-post-cold-war-era-and-the-cris/publication.

49 Bearing in mind the deep-rooted and often conflicting perceptions of the ‘Russian Other’ in EU member-states, why would Germany not opt for a German or even EU (German-led) alliance with Russia in due course? Under current circumstances, it is clear that Russia will not be trusted by Germany, the rest of the EU and Eastern Europe. However, in the distant future such an option can’t be excluded if Russia changes its outlook towards striving to become a key European country or allowing for broader European integration to include it. This would be a generally positive scenario for Europe and thus the U.S. would be relatively sidelined although the implications could be benign depending on the broader outlook at the time, which is not the purpose of this paper to contemplate.

status within the command structure of the Atlantic Alliance. In spite of that, both the UK and the EU recognize that in the field of security and defense, there continues to be a shared self-interest in order to find a flexible and above all effective politico-institutional framework for maintaining a strong cooperative relationship after Brexit\(^5\). As such, NATO is more probable to remain the key actor for Europe’s defense umbrella with Paris leading the front in a more stand-alone European security system that contributes its fair share to the alliance’s collective capabilities. In this context, security issues in the South will have to be addressed by Europe as part of EU border defense that are tested from developments in the Middle East and North Africa. In these conditions, the prospect of reviving a less asymmetric and more geopolitically balanced Franco-German axis will likely ease the course of stabilizing the EU, determine its direction and eventually propel European integration forward. Unavoidably, as long as the situation doesn’t become hopeless, the U.S. will continue to put pressure on both Germany and France to demonstrate their effectiveness on the ground and follow the course of a unified Europe. With the latter standing as the sine qua non of Washington’s rebalancing strategy.


The Euro’s inflexibility, the asymmetric gains entailed in the free trade area and incompleteness of the Economic and Monetary Union (EMU) are important factors behind the current crisis and more so in the inadequate post-crisis European response. A common aspiration shared by most countries in pursuing EU integration was to ensure that Europe would also acquire a global reserve currency. This would elevate its global role and especially the influence of core countries that separately were destined to relegation, in the context of globalization. Once in place, there is growing belief that Eurozone dissolution would most likely eclipse also the free trade area too via antagonisms entailing exchange rate wars and geopolitical tensions, at the very least. The rise of anti-establishment political sentiment that predominantly also rejects the Eurozone has prompted a response by main trend forces epitomized in the Rome Declaration and further spearheaded by French President Emmanuel Macron triggering a related debate in Germany on how to restore confidence in the EU project. The pro EU-integration sentiment builds upon the fact that integration never ceased to happen even during and under the pressures of the crisis with the creation of new and the deepening of existing institutions, more interdependence and reforms at country level. Although policy decisions might have tilted against EU institutions and towards creditor countries, the latter discovered they had no option but to enrich the EU’s institutional framework, even though often biased in their favor.

The setting up of the European Stability Mechanism (ESM) allowed for sovereign rescues and the de facto creation of Eurobonds. The elevated role of the European Central Bank (ECB) allowed for the exercise of non-traditional monetary policies and successful bank rescues and EU wide supervision. Despite debtors surrendering their post-Euro GDP gains, reforms in pension systems, labor markets, public administration and net export gains created space for future cohesion\(^5\). Creditor economies have lost relatively little in comparison to their gains on account of the Eurozone and have outmost interest to see that the free trade zone stays intact. This stems from the inherent weakness common to export dependent countries i.e. recession hitting their clients or worse political impediments to their exports e.g. for Germany a 1%


decline in exports reduces growth by 0.46%. Supporting EU integration to secure their gains is an overwhelming incentive versus taking a leap into uncertainty at indeterminate cost.

In light of the above, the defense of the Eurozone is the vital force behind further European integration and the creation of homocentric circles referred in the Rome Declaration\(^\text{53}\) might imply exactly that. Namely, members of a core circle ensuring the institutional preservation of the Euro as the central condition for a united Europe stating once more that the EU project goes well beyond the narrow economic debate regarding Euro’s optimality as a common currency. Anyhow, it should be noted that blaming the Euro for the debt crisis seems quite overdone considering that both the U.S. and U.K. suffered the fate of debtor economies too. Similarly, the argument that European heterogeneity is incompatible with a common currency neglects the fact that several European countries display similar or even greater regional heterogeneity within.

The next steps towards European integration are likely to start with the establishment of the banking union that will further elevate the ECB’s role including cross border supervision and leading to a European deposit guarantees. This is a tangible goal with a short to medium term horizon and so is the creation of a European rescue mechanism probably by extending the reach of the ESM in cooperation with the ECB and allowing for an IMF exit. Although the ECB’s quantitative easing entails significant aspects relating to fiscal policy and debt mutualization, the less certain steps are in the direction of a proper fiscal union supporting a larger EU budget exceeding the current minimal of 1.2%gdp. This will likely remain a longer-term goal, whether the EU appoints a finance minister or not, that could be initiated via an investment budget for pan-European projects followed by fiscal controls and harmonization across member states and eventually policy coordination and possibly fiscal transfers to weaker members or regions in the future. In the economic sphere, Germany will be leading in determining the sequence and depth of the integration process. The other area is likely to be the initiation of a common defense-security process as a medium to long term goal providing Europe with greater leverage towards Russia and also partly alleviating its current U.S. protectorate status. France will be leading the process coordinating steps across member-states in association and probably with an upgraded status within NATO.

In conclusion, economic and security processes signify a revival of the Franco-German axis as a prerequisite for the mobilization of efforts across member states addressing also issues around a two speed Europe in a more institutional manner. Thus, the need to address security fears of Southern and Central Eastern European countries stemming not only from a Russian advent or immigration and other country specific issues/fears e.g. Greece-Turkey-Cyprus, energy roots or European integration of the Western Balkans. Along the same lines across different member-states, the homocentric circles further out from the core on the one hand can allow for the expression of greater national sovereignty, especially from CEE countries, but also effectively institutionalize acceptance of a multi-speed Europe and the inability of some countries to move up the ladder for some time via targeted reforms. However, such options would now become enforceable without endangering the core around the preservation of the common currency and the deepening of EU institutions. This might in time prove a more powerful tool to rally support for integration at country level compared to simply the fear of non-Europe. Finally, institutional reforms at EU level in response to criticism regarding the Brussels bureaucracy should also be expected in an effort to address Europe’s democratic deficit and elite driven aspects. It goes without saying that the initial collective failure of the

EU during the economic crisis, the likely persistence of fragmentation for years to come and the rise of a popular anti-establishment reaction against national elites and Brussels as well as the broader globalization process reveal the serious challenges entailed in further integration.

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