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# Teresa Pullano Europe in the World after the Crisis: A Relational Approach



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Teresa Pullano  
**Europe in the World  
after the Crisis:  
A Relational Approach**

**Abstract:** The economic crisis that has invested Europe since 2008 and the political crisis that peaked in the hot Greek summer of 2015 exposed the fractures and conflicts within the EU, but also within Europe at large. Arguably, this has led to a repositioning of Europe in the world, which is still ongoing. This reconfiguration of the internal European space happens in connection with the redefinition of the relations that Europe entertains with its outside (Moisio et al. 2013). Also, the crises have shown that ‘Europe’ means different things in different places. In this paper, it is argued that classical European studies need to be rethought accordingly: it is no longer possible (and perhaps never was) to conceive of Europe in hermetic categories, but European space and politics need to be re-conceptualized as heterogeneous and uneven, and this always in connection with the transformations happening beyond the artificial idea of Europe as a defined continent (Manners, 2012). Following the call of Jean and John Comaroff (J. Comaroff & J. L. Comaroff 2012), this paper argues that there is a need to look at transformations in contemporary Europe as a consequence of restructuring happening in other parts of the world. The uneven development characterizing today’s Eurozone may be read as a return of colonial relations or unfettered capitalism to Europe.

**Key words:** Europe, Crisis, Space, Colonial Relations, Globalization

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# Europe after the Crisis: Quo Vadis?

The economic crisis that has invested the world including Europe since 2008 and the political crisis that peaked in the hot Greek summer of 2015 have exposed the fractures and conflicts within the EU and Europe at large. This has arguably led to a multi-faceted repositioning of ‘Europe’ in the world, the exact nature of which we still do not understand well enough. To be sure, the process is far from being accomplished. We are hence pursuing a task that involves a moving target. Yet most importantly for the argument that this paper would like to put forward, the reconfiguration of the internal European space has clearly happened in connection with a redefinition of the relations that Europe entertains with its outside.<sup>1</sup> In fact, all too simple inside/outside views of Europe are no longer (if they ever have been) of much explanatory value.

Smith has looked at “how understanding the transformation of European macro-regional spaces requires, at the same time, an understanding of the inter-relationships between those spaces and the wider world”, emphasizing how EU policy frameworks produce relations of increasing inter-dependency between Europe and the rest of the world, relations which are at the same time uneven.<sup>2</sup> Inter-dependency is, according to Smith, first of all demonstrated by the fact that the economic crisis of 2008 was transmitted to Europe from the United States. As Fitoussi and Saraceno do when they talk about a Berlin-Washington consensus, Smith also agrees that not only the crisis, but the states’ responses to it in the form of austerity programs, were also imported to Europe from the United States.<sup>3</sup> As a consequence, “The Eurozone dimension of the crisis is fundamentally challenging the EU’s commitment to cohesion and solidarity”.<sup>4</sup> Responses to the crisis have also been characterized by interconnectedness across continents, from the Spanish *indignados* to the Greek anti-austerity movement to the different Occupy movements in Europe and beyond. For Smith, “Elite and popular responses to the crisis are but part of the attempts to manage European and global inter-dependencies”.<sup>5</sup>

The fact that the Eurozone crisis has shown openly that European integration is driven and strongly influenced not only by internal factors, but by the interaction, or the relation, between internal and external processes poses a theoretical challenge. Indeed, the question here is not so much one of rethinking the EU’s external relations or its influence in the world. It is instead

1 Sami Moisió et al.: Mapping the Political Geographies of Europeanization. National Discourses, External Perceptions and the Question of Popular Culture, in: *Progress in Human Geography* 37 (2013), 737-761, doi: 10.1177/0309132512472093.

2 Adrian Smith: Europe and an Inter-Dependent World. Uneven Geo-Economic and Geo-Political Developments, in: *European Urban and Regional Studies* 20 (2013), 3–13.

3 Jean-Paul Fitoussi/Francesco Saraceno: European Economic Governance. The Berlin-Washington Consensus, in: *Cambridge Journal of Economics* 37 (2013), 479–496.

4 Smith, Europe and an Inter-Dependent World (2013), 3–13.

5 Smith, Europe and an Inter-Dependent World (2013), 4.

rather one of thinking the uneven production of the European space through the relations this space entertains with other spaces in the world. This is not only an empirical challenge, but it is an epistemological one, since it forces us to challenge the categories and the theories through which we have mainly studied European integration up to the present. This is why the present paper points to the consequentiality between the situation that has been exposed by the European crisis and the need to expand the paradigms dominating European studies. The need to go beyond understandings of Europe and of European integration that work taking for granted an inside/outside division of social, legal, economic and political relations has been acknowledged by several political geographers. Indeed, as Moisiso et al. write:

“The crisis in Europe has led to a repositioning of ‘Europe in the world’[...] although ‘the geopolitical and geo-economic orbit of the EU’ had become in recent years ‘tangible’, there is now ‘a widespread sense that things have gone awry’. The events of 2011 have in fact highlighted not only the power of EU institutions to transform seemingly domestic economic and political issues into ‘all-European’ matters, but have also resulted in a wholesale remaking of a distinct ‘European’ political space, not just within but also vis-à-vis its putative ‘outside’”.<sup>6</sup>

Rethinking the production of Europe, as well as the restructuring of the European political and geographical space through its relations with other spaces and continents, entails at the same time a provincialization of Europe and of European studies. Indeed, what we witness with the Eurozone crisis is not only the growing relationality of European integration with other phenomena taking place elsewhere in the world, which could be read as a consequence of globalization. Here, the hypothesis the paper makes is that experiences, political experiments, concepts and epistemological paradigms that have originated elsewhere, including the developing world, are ‘coming back’ to Europe and are most appropriate to describe processes of regional restructuring that are taking place in Europe. Our call is thus one for reappraising European studies through theories, broadly understood, from the South as well as from the East.<sup>7</sup>

This call follows similar attempts to de-center European studies, such as the one of Onar and Nicolaïdis,<sup>8</sup> as well as attempts to enlarge the scientific paradigms used to think about European

<sup>6</sup> Moisiso et al., *Mapping the Political Geographies of Europeanization* (2013).

<sup>7</sup> Jean Comaroff /John L. Comaroff: *Theory from the South or How Euro-America is Evolving Toward Africa*, Paradigm Pub, 2012.

<sup>8</sup> Nora Fischer Onar/Kalypto Nicolaïdis: The Decentring Agenda. Europe as a Post-Colonial Power, in: *Cooperation and Conflict* 48 (2013), 283–303.

integration after the crisis, such as the one of Manners and Whitman.<sup>9</sup> Onar and Nicolaïdis call for the integration of post-colonial perspectives within European studies, given the need to rethink Europe in a non-European world. The Eurocentrism that dominates the study of European integration has its roots, according to the authors, in the relation between European studies and the dominance of North-American paradigms in the field of international relations: “Eurocentrism was thus embedded in a broader western-centrism with two twists: not all western-centrism is Eurocentric; and some forms of Eurocentrism patently challenge American-centrism”.<sup>10</sup> Following and expanding on Onar and Nicolaïdis, we argue that the Eurozone crisis puts into question the Eurocentrism of European integration theories, since it does not take into account how the crisis could be better explained by tackling the policy instruments and the uneven economic and social relations that are “coming back” from the developing world to Europe. Indeed, Onar and Nicolaïdis argue for the need of multidisciplinary perspectives going beyond the inside/outside divide to revive the study of European integration:

“The aim of this contribution is to amplify the call for this necessary paradigm shift in the study and practice of Europe’s international relations, as inspired by the multiple and intertwined logics that infuse the growing body of multidisciplinary work regarding thinking outside of the Eurocentric box”.<sup>11</sup>

The need to complement existing approaches to the study of European integration and, more broadly of Europe, with new perspectives is also stressed by Manners and Whitman. They discuss the contradiction between the empirical level and the conceptual developments in the studies of European integration. The Eurozone crisis has highlighted the limits of liberal intergovernmentalist policies, whereas they are one of the mainstream approaches to European studies: “Mainstream EU scholarship broadly accepts the premise that the EU is a neoliberal, state-like political system and that Europeanisation is a one-way process”.<sup>12</sup> In times of crisis, as the authors write, it is even more critical to leave room for a social sciences approach that can provide insights that go beyond the existing status of European studies.

The following sections sketch out some ideas to move on with the program of pluralizing and decentering European studies, taking into account the contradictions that emerged during the Eurozone crisis. In the first section, the paper looks for conceptual resources to think about

9 Ian Manners/Richard Whitman: Another Theory is Possible. Dissident Voices in Theorising Europe, in: *Journal of Common Market Studies* 54 (2015), 3–18.

10 Fischer Onar/Nicolaïdis, *The Decentring Agenda* (2013), 283–303.

11 Fischer Onar/Nicolaïdis, *The Decentring Agenda* (2013), 285.

12 Manners/Whitman, *Another Theory is Possible* (2015), 3–18.

a relational approach that does not presuppose Europe and other continents as separate but interrelated entities and thus looks at the relations among them as relations that produce the European space in a dialectical process. We focus in particular on the work of Henri Lefebvre and, partially, on the work of Giovanni Arrighi.

The paper then moves to discussing the Greek crisis of 2010, and in particular we look at the Economic Adjustment Programs (EAPs) of the Troika. It focuses on the example for Greece and of the first Memorandum in particular for matters of space, but it would be advisable to include the other European EAPs and the succession of different Memoranda in the Greek case. It then points to the fact that EAPs share most of their features with Structural Adjustment Plans (SAPs) that were applied in the 1980s by the World Bank and the IMF to Latin America and, since the end of the 1970s to Sub-Saharan African countries, as well as in the 1990s to Asian countries. The paper raises three questions. One concerns the actors, and in particular the role of the IMF in the Greek bailout; the second question concerns the policy instrument: why did the Troika use EAPs and conditionality in the EU when criticism about their efficiency in the developing world was well known by 2010? The third question concerns the content of the EAPs: which are the effects of these measures? Are they in line with EU law? The observation the paper wants to make is very simple: if EAPs are similar policy instruments to SAPs, why is the literature on SAPs not taken into account when dealing with the Eurozone crisis? The EU elite's responses to the crisis demonstrate the strong interconnectedness with solutions applied to the Eurozone with measures and contexts of the developing countries. This leads us to ask why the literature on these processes coming from developing countries is not taken into account in European studies.

## Europe in the World: Relational Approaches

Reference to the work of the economist and historian of economy Giovanni Arrighi is very seldom made when discussing the contemporary restructuring of the European Union. If his work has been used by some economists to describe the current patterns of the Eurozone crisis within Europe,<sup>13</sup> reference is made even more rarely to his insights into the correlation between the restructuring of the nation-state system in Europe and in the United States and transformations in other continents.<sup>14</sup>

13 Francesca Gambarotto/Stefano Solari: The Peripheralization of Southern European Capitalism within the EMU, in: *Review of International Political Economy* 22, Nr. 4 (2015): 788–812. doi:10.1080/09692290.2014.955518.

14 Andreas Bieler: The EU, Global Europe, and Processes of Uneven and Combined Development. The Problem of Transnational Labour Solidarity, in: *Review of International Studies* 39 (2012), Cambridge University Press, 161–183.



In his article on the withering away of the inter-state system and the rise of East Asia, Arrighi makes some important contributions to a “relational” approach of statehood transformation.<sup>15</sup> He criticizes mainstream globalization theories for associating the crisis of the nation-state system with the emergence of transnational treaties, forms of governance and transnational corporations and with regionalism, such as the creation of economic blocks like the EU and NAFTA. For Arrighi, these approaches overlook at least three main factors: the connection between changes in the Western nation-states system and transformations in other parts of the world, such as in East Asia; the fact that East Asia, as a region, and China, as its main power, form a system that he defines as “quasi-state”, and that they do not mirror the process of transnationalization described by globalization scholars; and the fact that, historically, the nation-state is not the “pinnacle of legitimate authority”.<sup>16</sup> Indeed, the nation-state is not, historically, the leading formation of modern capitalism, which was dominated instead either by

“organizations that are something less (city states and quasi-states) or something more (quasi-empires) [...]. World power came instead to be concentrated in structurally differentiated governmental and non-governmental organizations that reproduce on a larger scale and in incomparably more complex forms many of the traits of pre- and early-modern modes of rule and accumulation”.<sup>17</sup>

What we will retain from Arrighi’s analysis is the relevance of studying the transformations of the Western statehood system in connection with the changes in other regional systems in the world, as well as his attention to forms that are in-between clear political structures, such as quasi-states, and his historically attuned mode of analysis.

Central to our approach to changes in the spatial and territorial dimension of Europe as a form of statehood is the work of Henri Lefebvre and its most recent interpretations.<sup>18</sup> For the French geographer, the process of co-production of space and statehood not only takes place within the state, but also through the relations that the state entertains with the global space:

“As the product, the child, of a space, the so-called national territory, the state turns back toward its own historical conditions and antecedents, and transforms them. Subsequently, the state engenders social relations in space; it reaches still further as it

15 Giovanni Arrighi: The Rise of East Asia and the Withering Away of the Interstate System, in: *Journal of World-Systems Research* 2, Nr. 1 (2015): 456–478. doi:10.5195/jwsr.1996.68.

16 Giovanni Arrighi, The Rise of East Asia (2015), 461.

17 Giovanni Arrighi, The Rise of East Asia (2015), 473.

18 Neil Brenner: Global, Fragmented, Hierarchical. Henri Lefebvre’s Geographies of Globalization, in: *Public Culture* 10 (1997), 135–167.

unfurls; it produces a support, its own space, which is itself complex. This space regulates and organizes a disintegrating national space at the heart of a consolidating global space (*l'espace mondial*).<sup>19</sup>

For Lefebvre, “The state and territory interact in such a way that they can be said to be mutually constitutive”.<sup>20</sup> More precisely, Lefebvre identifies specific modes of production through which statehood produces its own territory as well as forms of territorial domination outside its own frontiers. The capitalist space is at the same time homogeneous and fractured:

“The current mode of production is characterized by the space of state control (*control étatique*), which is simultaneously a space of exchange. The space thus engendered is ‘social’ in the sense that it is not a thing among things, but the system (*l'ensemble*) of links, connections, networks, and circuits”.<sup>21</sup>

Lefebvre uses the concept of *mondialisation* to express the expansion of the statehood production of territory outside at the worldwide level:

“A worldwide integration (*mondialisation*) of production and production cycles is now occurring. [...] The accumulation of investments and productive capital is occurring on a world-scale. [...] A globalization of labor flows, of technology, of expertise is also taking place. [...] The production of a planetary space likewise ensues, whose frontiers oscillate between visibility and invisibility, and in which national states have until now maintained their functions – control and hierarchization (of dominant-dominated spaces), regulation”.<sup>22</sup>

Nevertheless, the two concepts of the global and of “mondial” are very different:

“Lefebvre is suggesting that the global is a level, while the worldwide is a scale. The global (level) refers to a mode of analysis that is focused on the general or the whole; it is linked to understandings of totality and stands in contrast to more specific levels of analysis. By contrast, Lefebvre conceives the worldwide (scale) as a basis for recognizing the simultaneous extension, differentiation, and fragmentation of social relations across the entire earth under contemporary capitalism, a process he also attempts to describe with reference to mathematician Rene Thorn’s notion of a “hierarchical stratified morphology”.<sup>23</sup>

19 Henri Lefebvre: *Space and the State*, in: Neil Brenner/Bob Jessop/Martin Jones/Gordon MacLeod (Ed.): *State/Space: A Reader*. Malden MA, USA 2003, 84–100.

20 Lefebvre, *Space and the State* (1997), 87.

21 Lefebvre, *Space and the State* (1997), 93.

22 Lefebvre, *Space and the State* (1997), 97.

23 Henri Lefebvre: *State, Space, World*. Minneapolis, 2009, 23.

Through the term of “mondial”, Lefebvre refers therefore to the relations of homogenization, of hierarchization and of fragmentation across different scales, and to the associated relations. It is thus a very different understanding of the links between territory and statehood production and transnational relations than the one of mainstream globalization theories.<sup>24</sup> One of the main differences with respect to globalization theories is that Lefebvre’s writings provide a basis for reading contemporary geopolitical developments as a process of territory production, thus in opposition to theories of deterritorialization. Relations and modes of production – of commodities, but also of statehood and of territory and space – are at the center of the restructuring of statehood at the level of the worldwide: “Through these interactions, the world market outlines configurations that are inscribed on the terrestrial surface of changing spaces. Hence the contradictions in space and of space, between countries, peoples, classes”.<sup>25</sup> The question Lefebvre frames is therefore how territory and space are produced at the level of transnational relations, by whom, for which purpose and which are the hierarchies and forms they shape. Europe is one of the main geopolitical spaces taking action and shaping the worldwide:

“Spatial planning deals with flows: of energy, raw materials, money, the labor force, various goods, mixtures of people and things, signs, information and understanding, symbols, capital, etc. It endeavors to connect and coordinate these multiple flows in space. In which space? In great geopolitical units (Europe, etc.) that are inscribed in the worldwide”.<sup>26</sup>

Space is thus a social and political instrument, and it becomes a site for the reproduction of social relations and of political hierarchies.

Together with the analysis of the homogenization, fragmentation and hierarchization of space in a transnational perspective, it is possible to build upon Lefebvre’s work on the concept of “colonization”. Indeed, Lefebvre provides a notion of colonization as multi-scalar, operating at the inter-national, inter-regional and intra-regional levels:

“Lefebvre also links his account of state space to a multi-scalar interpretation of newly emergent patterns of neocolonialism and uneven spatial development (...). Outside established states, the political decolonization of European empires is replaced with a still more insidious form of colonization, one in which dominant states and multinationals impose relations of dependence and hierarchy within and beyond these new so-called independent states”.<sup>27</sup>

24 Neil Brenner: Globalisation as Reterritorialisation. The Re-Scaling of Urban Governance in the European Union, in: *Urban Studies* 36 (1999), 431–451.

25 Lefebvre, *State, Space, World* (2009), 105.

26 Lefebvre, *State, Space, World* (2009), 201.

27 Lefebvre, *State, Space, World* (2009), 23.

In Lefebvre's work from the 1970s onwards, "colonization" describes a state strategy of producing space and in particular a certain state-bound form of organizing hierarchical territorial relations.<sup>28</sup> What is distinctive about Lefebvre's concept of "colonization" is that it is a spatial practice that, even if tied to statehood, it is in no way only bounded to the nation-state: "In twentieth-century neo-capitalism and neo-imperialism, formal decolonization goes hand in hand with a 'world-wide extension of the colonial phenomenon'".<sup>29</sup>

## Rethinking Europe through Structural Adjustment Plans: The Case of the Greek Economic Adjustment Program

On April 27<sup>th</sup> 2009, the European Council declared that Greece was in a situation of excessive deficit.<sup>30</sup> Indeed, the European Commission's forecast for 2009 projected the deficit 4.4% of GDP in excess of the 3% limit of the Stability Pact. The situation of the Greek deficit in 2007, the year of the global financial crisis; was of 3.5% of GDP. In the decade that followed the introduction of the euro, the Greek economy was growing at a rate of 4.5% a year and was depicted as a success story.<sup>31</sup> The opinion of the European Council on Greece's convergence and stability program was positive until 2008.<sup>32</sup> This is why the rising of Greek deficit and public debt by the end of 2009 came as a surprise, at least to the majority of the Greek population and to the citizens of the other European member states. Indeed, the conclusions of the European Council of December 10<sup>th</sup> and 11<sup>th</sup> were moderately optimistic: "The economic situation is starting to show signs of stabilization and confidence is increasing. Forecasts suggest a weak recovery in 2010, followed by a return to stronger growth in 2011".<sup>33</sup> If the convergence plan for Greece was evaluated as successful, nevertheless structural reforms taking into account labor market policy, state enterprises and social policies, were not sufficiently implemented in Greece.<sup>34</sup> Greece closed the financial year

28 Kanishka Goonewardena/Stefan Kipfer: Urban Marxism and the Post-Colonial Question. Henri Lefebvre and 'Colonisation', in: *Historical Materialism* 21 (2013), 76–116.

29 Goonewardena/Kipfer, Urban Marxism (2013), 97.

30 European Union Council, Council Decision of 27 April 2009 on the Existence of an Excessive Deficit in Greece, 2009.

31 Vassilis Monastiriotis: Austerity Measures in Crisis Countries. Results and Impact on Mid-Term Development, in: *Inter-economics* 48 (2013), 4–32.

32 European Union Council, Council Opinion of 4 March 2008 on the Updated Stability Programme of Greece, 2007-2010, Brussels, 2008.

33 European Union Council, European Council 10/11 December 2009 Conclusions, 2009.

34 Panos Kazakos: Europeanisation, Public Goals and Group Interests. Convergence Policy in Greece, 1990-2003, in: *West European Politics* 27 (2004), 901–918.

2009 with a budget deficit of 15.8% (which, at the time, was estimated at 12.7%).<sup>35</sup> These figures were revealed on 20 October 2009 by George Papakonstantinou, the newly elected finance minister: “he announced a tripling of the level of government debt for 2009”.<sup>36</sup> He was the minister of the socialist government led by Pasok and George Papandreou, a government whose election followed the one of Costas Karamanlis and of the center-right party of New Democracy. Papakonstantinou revealed that the figures concerning a public deficit of 3.6% of GDP reported by the previous government were inaccurate: “it was upgraded to 12.8 per cent of GDP, then increased further to 13.6 per cent when further calculations were made in 2010 (22 April)”.<sup>37</sup>

According to art. 104(6) of the Maastricht Treaty,<sup>38</sup> it is the European Council, upon recommendation from the Commission, that needs to decide about the assessment in case of excessive deficit. On May 10, 2010, the Council adopted a Decision concerning measures Greece should adopt to reduce its deficit and debt. Moreover, as is well known, art. 104 of the Treaty establishes that the European Central Bank and the national central banks cannot dispense solutions for debt of EU member states or EU public bodies. As Featherstone reconstructs it, after the announcement made by Papakonstantinou and as soon as it became clear from the markets that Greece was heading towards default, a conflict concerning the interpretation of art. 104 of the Maastricht treaty arose. Indeed, “Merkel displayed a consistency of view with the ‘narrow’ German stance at Maastricht”<sup>39</sup> insisting that a bailout of Greece would also cause legal problems with the German Constitutional Court. At the same time, the fact that there was no procedure to expel a state that does not comply with the fiscal rules of Maastricht created an imbalance between Germany’s position and the position of those asking for an economic government of the Eurozone. At first, Ecofin’s response to Greece was that they should sort the situation out themselves. It was only on March 26<sup>th</sup>, 2010, “that the euro area leaders, meeting at the European Council, agreed the principles of a rescue deal for Greece (based on funding being shared between the International Monetary Fund (IMF), contributing one-third, and EU states two-thirds). However, this would only be available to Greece if all states agreed it and if all other options had been clearly exhausted”.<sup>40</sup>

35 Vassilis Monastiriotes: Austerity Measures in Crisis Countries. Results and Impact on Mid-term Development, in: *Inter-economics* 48 (2013), 4–32.

36 Kevin Featherstone: The Greek Sovereign Debt Crisis and EMU. A Failing State in a Skewed Regime, in: *Journal of Common Market Studies* 49 (2011), 193–217.

37 Featherstone, *The Greek Sovereign Debt Crisis* (2011), 199.

38 European Union Council und European Commission, Treaty on European Union.

39 Featherstone, *The Greek Sovereign Debt Crisis* (2011), 193–217.=

40 Featherstone, *The Greek Sovereign Debt Crisis* (2011), 202.

The participation of the IMF was an object of debate from the beginning of the Greek crisis. The Greek Minister of Finance, Papakonstantinou, in March 2010 requested “immediate initiatives”, warning that otherwise “the only solution, the only possible solution, would be the IMF”.<sup>41</sup> Indeed, what is striking is that both the European institutions and heads of states, and the IMF had serious doubts about the IMF’s involvement in the Greek bailout. “One reason the IMF’s participation was troubled was because initially Europe wanted to keep the fund at a distance”, wrote Reuters journalists in their investigation concerning the role of the IMF in the Greek debt crisis.<sup>42</sup> From the side of France, the involvement of the IMF was seen as a sign of weakness of the Eurozone: “the Europeans wanted to keep the Greek problem in-house. Paris, in particular, opposed bringing in the fund”. George Papakonstantinou, Greece’s finance minister from 2009 to 2011, remembers French President Nicolas Sarkozy “telling us ‘I will never allow the IMF in Europe’”. Christine Lagarde, then France’s finance minister and now head of the IMF, agreed with Sarkozy. Her view, she told Reuters in an interview, was “predicated on the hope that the Europeans could put together enough of a package, enough ring-fencing, enough of a backstop so as to show that Europe could sort out its own affairs”.<sup>43</sup> According to Reuters, Germany, and Merkel in particular, was more favorable to the IMF intervention: “German Chancellor Angela Merkel, according to her aides, saw the ECB and the European Commission – the EU’s top executive body – as soft and vulnerable to political influence. She began insisting that the IMF be brought into the Greek bailout”.<sup>44</sup> Instead, according to Costas Simitis (Socialist Prime Minister of Greece from 1996 to 2004), Germany wanted to solve the Greek debt crisis internally, within the EU, so that “the standing and the stature of the Eurozone would remain intact [...] avoiding the humiliating excessive intervention of the IMF”.<sup>45</sup> As borrowing rates started climbing towards 10%, Greece asked its Eurozone and IMF partners for an emergency loan – a bailout package – and in May 2010 it was granted a loan worth a staggering €110bn, in a move that seemed to violate all EMU principles and of a size that surpassed that of the loans granted to Europe under the Marshall Plan. With this loan (and subsequent ones) came a strict and pervasive conditionality for the implementation of a broad range of reforms and fiscal consolidation actions.

41 Costas Simitis: *The European Debt Crisis*, Manchester, 2014, 40.

42 Lesley Wroughton/Howard Schneider/Dina Kyriakidou: How the IMF’s Misadventure in Greece is Changing the Fund, in: *Reuters Investigates* (2015)

URL: <http://www.reuters.com/investigates/special-report/imf-greece>, (29.3.2016).

43 Wroughton/Schneider/Kyriakidou, IMF’s Misadventure in Greece (2015).

44 Wroughton/Schneider/Kyriakidou, IMF’s Misadventure in Greece (2015).

45 Simitis, *The European Debt Crisis* (2014), 42.

During the Eurogroup of May, 2<sup>nd</sup>, 2010, “Euro area ministers unanimously agreed to activate stability support to Greece via bilateral loans centrally pooled by the European Commission” (Statement by the Eurogroup, May 2<sup>nd</sup> 2010).<sup>46</sup> The agreement was then approved by the Greek Cabinet as well as by Eurozone finance ministers. On May 6<sup>th</sup> the agreement became law in a vote by the Athens Parliament.

The main elements of the 2010 bailout agreement are as follows:

1. A loan of €110 billion was approved, of which €80 billion are intergovernmental loans pledged by the Eurozone countries and €30 billion by the IMF; approximately two-thirds of this amount will be used to repay bonds and loans and to support the Greek banking system through the Hellenic Financial Stability Fund. The European Commission acts as coordinator of the Greek loan facility, as well as administrator and disbursement counter on behalf of the Member States. The bailout package is strictly conditional upon the implementation of severe austerity measures, the attainment of specific fiscal targets, as well as extensive liberalization and privatization measures. The disbursement of the loan is to be made in 13 tranches, each conditional on a review of fiscal developments. In the Economic Adjustment Plan drafted by the Commission, the reforms upon which the loan is conditional are outlined in detail.
2. The short-term program aims concern Greece’s financial stability: “consolidation should rely on measures that generate savings in public sector expenditure and improve the government’s revenue-raising capacity”.<sup>47</sup>
3. Structural reforms are the second element of the Economic Adjustment Plan, aiming at the modernization of the public sector, at rendering “product and labor markets more efficient and flexible”, and at creating “a more open and accessible business environment” through a “reduction of the state’s direct participation in domestic industries”.<sup>48</sup>
4. In particular, to attain these general aims, the EAP includes the need to reform the pensions system and to cut wages in both the public and the private sector. As the EAP reads:

“Large cuts in public wages and pensions are inevitable (...) Cuts in average wages and pensions are therefore indispensable to achieve the required adjustment, even taking into account the authorities’ commitment to reduce employment and control wage drift or freeze the indexation of pensions”.<sup>49</sup>

<sup>46</sup> Statement by the Eurogroup, Brussels, 2010.

URL: [http://www.consilium.europa.eu/uedocs/cmsUpload/100502-%20Eurogroup\\_statement.pdf](http://www.consilium.europa.eu/uedocs/cmsUpload/100502-%20Eurogroup_statement.pdf).

<sup>47</sup> Directorate-General for Economic and Financial Affairs European Commission, The Economic Adjustment Programme for Greece, Brussels, European Commission, 2010, 10.

<sup>48</sup> Directorate-General for Economic and Financial Affairs European Commission, The Economic Adjustment Programme for Greece, Brussels, European Commission, 2010, 10.

<sup>49</sup> Directorate-General for Economic and Financial Affairs European Commission, The Economic Adjustment Programme for Greece, Brussels, European Commission, 2010, 15.

5. The measures contained in the 2010 EAP, as well as the involvement of the IMF, produced a negative reaction in Greek public opinion. On May 5<sup>th</sup> 2010, large demonstrations took place all over the country.<sup>50</sup> The social reactions were not considered when drafting the Memorandum, as is evident from its overall tone.<sup>51</sup>

By early 2011, it became clear that the program's fiscal targets could not be attained, both because a strong recession had set in and because the fundamental causes of the Greek malaise were not addressed.

Bailout II – As financial market pressure spread to other countries of the Eurozone periphery, endangering the viability of the single currency, the EU decided to grant Greece a second bailout, along the lines of the previous one in terms of austerity measures, but with a new twist; the involvement of private investors in a 'voluntary restructuring' of the securitized part of the Greek public debt. The second bailout amounted to a €130 billion loan until 2014, including an IMF contribution of €28 billion.

The main features of the second bailout agreement are as follows:

1. Additional fiscal austerity measures;
2. The incorporation into the Greek constitution of a provision, whereby priority is given to debt-servicing payments over other types of public expenditure;
3. An 'enhanced and permanent presence' of the Task Force already established under the first bailout agreement, overseeing the implementation of austerity measures. This reports directly to the Troika, bypassing the Greek government;
4. Political assurances from the leaders of the two major political parties at the time, that they will observe and implement the agreement irrespective of political developments.

As Greer has remarked,<sup>52</sup> there are several similarities between the EAPs that have been adopted in the Eurozone, and the Structural Adjustment Plans that the IMF has previously applied to developing countries. As Greer argues:

<sup>50</sup> Simitis, *The European Debt Crisis* (2014), 56.

<sup>51</sup> Simitis, *The European Debt Crisis* (2014), 59.

<sup>52</sup> Scott Greer: *Structural Adjustment Comes to Europe. Lessons for the Eurozone from the Conditionality Debates*, in: *Global Social Policy* 14 (2014), 51–71.



“EAPs and SAPs are similar instruments: concentrated lists of reforms that come at the price of financial rescue. They contain much substantive similarity and employ underlying approaches to the state. They come amidst shock, and might have shock effects themselves. As a result, they can be studied as a policy instrument and we can infer the likely effects of EAPs from the experience of SAPs”.<sup>53</sup>

SAPs were implemented by International Institutions such as the IMF and the World Bank, and during the 1980s SAPs targeted especially Sub-Saharan Africa.

Following Greer, we argue that despite the clear differences between the states and the economies where SAPs were applied in the 1980s and 1990s and the ones where the EAPs are applied by the IMF, the European Commission and the European Central Bank, the use of the policy instrument is consistent: “conditional loans, used by international governmental organizations to promote a consistent list of economic policies”.<sup>54</sup>

If the policy instrument used in the case of Sub-Saharan Africa, but also in Latin America and South and East Asia, is consistent, then we can raise two questions. The first one concerns what we can learn for the Eurozone from the evaluation of the effects of SAPs. The second question concerns the use of a policy instrument that was intended for use in developing countries in a different context than that of the Eurozone.

The main characteristics that are shared between EAPs, and in particular EAPs as they are applied in Greece, and SAPs as they were largely applied in Africa are the following:

1. Trade openness
2. Liberalization of domestic trade
3. Reform of fiscal policy
4. The privatization of state-owned enterprises
5. Reform of the financial sector
6. Sectorial reforms of areas such as pensions, health and labor law

As made famous by Williamson in his paper on the “Washington consensus” (1990), the measures contained in the SAPs responded to a coherent agenda “that sought to make economies stronger

<sup>53</sup> Greer, *Lessons for the Eurozone* (2014), 52.

<sup>54</sup> Greer, *Lessons for the Eurozone* (2014), 52.

and more stable by reducing the size of the state, promoting exports, and making more use of price signals in the economy”.<sup>55</sup> Conditionality, by which is understood the subordination of the loan to the realization of specific economic, social and political reforms, has been one of the most criticized aspects of IMF interventions in the case of SAPs. Conditionality has a non-democratic aspect, since, as is clearly stated in the Greek 2010 Memorandum and is reinforced in the following ones, it freezes the possibility, for the governments, to change the direction of reforms for the duration of the program. Why, despite the critiques that the use of conditionality by the IMF in Africa, Latin America and Asia, was it proposed again in the Eurozone? What can we learn from past experiences of application of this tool in other non-European contexts?

In particular, the effects and the efficiency of structural adjustment plans was deeply controversial when these policy instruments were applied in developing countries. One of the main questions that arises is thus why these critiques were not considered when applying similar measures to Greece and other Eurozone countries.<sup>56</sup>

MOUs take the form of a legal agreement between the Troika and the member state, but they are not beyond the scope of EU law. Social provisions in general, and labor law in particular, have been one of the main targets of MOUs, as is described in the previous paragraphs. According to Adams and Deakin there is no basis, in the limited social policy competencies of the EU, to intervene to the extent that MOUs are doing in reshaping national level labor-law.<sup>57</sup> As they argue, several judgments of the Luxembourg Court stress the limited powers of the Union to impose common standards in the area of collective labor law. The legitimacy of MOUs may thus sooner or later be challenged by the Court of Justice of the European Union.

The problematic aspects of MOUs are not only legal, but their effectiveness can, at present, be seriously challenged. Growing inequality and social deprivation are among the effects of MOUs. Unemployment remained at rates of 24% in Greece during the years of the application of MOUs. These effects are in line with those of SAPs in developing countries.<sup>58</sup>

<sup>55</sup> Greer, *Lessons for the Eurozone* (2014), 53.

<sup>56</sup> Zoe Adams/Simon Deakin: *Structural Adjustment, Economic Governance and Social Policy in a Regional Context. The Case of the Eurozone Crisis*, in: *Research Handbook on Transnational Labour Law*, Cheltenham, 2015, 111–123.

<sup>57</sup> Adams/Deakin, *The Case of the Eurozone Crisis* (2015), 116.

<sup>58</sup> Adams/Deakin, *The Case of the Eurozone Crisis* (2015), 116.

How it is possible to explain that a policy instrument that has been applied to developing countries with far from positive effects is then applied to Europe without taking into account the effects of uneven regional development that already existed in African countries, for example? Fitoussi and Saraceno argue that the European Union is the polity that has gone further in internalizing the Washington consensus.<sup>59</sup>

With regard to MOUs and SAPs, Fitoussi and Saraceno write that: “In addition, if we look at the experience of structural adjustment programs, the most surprising thing about a consensus so widespread in the academic and political communities is the scant evidence to support it”.<sup>60</sup> Fitoussi and Saraceno point to the fact that SAPs and MOUs apply the same policy instruments and the same principles to different contexts, thus disregarding the specificity of the interaction between institutions and markets in each context. More precisely,

“In the field of development as well, the BW Consensus has substantially failed the empirical test. The last decades witnessed some extraordinarily successful stories and some tragic failures. All of them had complex causes, proving wrong the notion that the institutional model based on deregulated markets and small government is always superior to other models. It took many years, but it is nowadays clear that one size does not fit all”.<sup>61</sup>

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59 Fitoussi/Saraceno, *European Economic Governance* (2013), 479–496.

60 Fitoussi/Saraceno, *European Economic Governance* (2013), 484.

61 Fitoussi/Saraceno, *European Economic Governance* (2013), 485.

## Conclusion: Towards European Global Studies

The present paper makes a call for a decentering of European studies that aims at unveiling and documenting the transnational connections that co-produce European spaces through uneven relations of *mondialisation* with the developing world. The Eurozone crisis makes evident the double process of fragmentation and uneven development, but also of homogenization that is restructuring Europe as a regional space, co-produced through its relations with other continents. The paper points to a possible avenue for European Global studies: bringing together relational approaches to space and statehood construction, such as those of Arrighi and Lefebvre with empirical case studies concerning EU integration, such as the management of the Greek crisis, could allow for a renewal of EU integration studies both from a theoretical and from an empirical perspective. As Randeria suggests, “the specificity of the current dynamics and trajectories of the transnationalization of law with dissimilar effects in various countries in different regions must be analyzed against the background of the colonial import, imposition and reconstitution of law in the non-Western world”.<sup>62</sup> Probably, what Randeria says about legal processes can be extended to political, economic and social ones. To take into account the experiences that the Eurozone crisis is making evident, there is the need for a ‘relational’ rethinking of European studies.

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62 Shalini Randeria: The State of Globalization. Legal Plurality, Overlapping Sovereignties and Ambiguous Alliances between Civil Society and the Cunning State in India, in: *Theory, Culture & Society* 24 (2007), SAGE Publications, 1–33.

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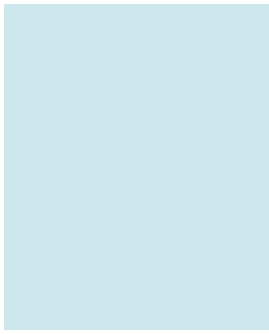
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