

**The Foreign and Security Policy  
Implications of the Eurozone Crisis**

Testimony before the U.S. Senate Committee on Foreign Relations  
Subcommittee on European Affairs

“The European Debt Crisis: Strategic Implications for the  
Transatlantic Alliance”

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**Testimony:**

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Madam Chairwoman Shaheen, Ranking Member Barrasso  
and Distinguished Members of the Committee:

It is a distinct honor and a privilege to appear before you.

My remarks today represent my own opinions and are not  
the views of the German Marshall Fund of the United  
States. But, I would note, GMF has launched a project to  
look at the foreign and security policy implications of the  
euro crisis for the United States.

It is particularly timely that we meet a week after another  
European summit about the euro crisis. It is too early to  
know whether the measures announced last week will stem  
the bleeding and start to heal Europe’s wounds. But  
experience has taught us that--at every junction in this  
unfolding saga--European actions have been a day late and

a euro short. We have every reason to be skeptical. And we can only hope for the best.

As my fellow panelists have noted, America has a huge economic stake in Europe finally resolving its crisis. A European “Lost Decade” would do profound damage to the U.S. economy.

But the euro crisis is no longer simply an economic problem. It is increasingly a foreign and security policy challenge for the United States.

And this crisis has the potential to undermine the transatlantic alliance, something the Soviets never accomplished during the Cold War.

Default by one or more euro area countries could well lead to stagnant economic growth, introspection and self-preoccupation in Europe. A weakened, distracted Europe would prove a strategic liability for the United States.

It would mean a Europe even less able to defend itself. One that cuts back on foreign aid. A Europe that falls short in its effort to curb greenhouse gases. That becomes dependent on China to fund its debt. That is less able to stand up to Russian energy blackmail. Or to impose trade sanctions to curb Iran’s nuclear ambitions.

A Europe where the standard of living is declining could also face a growing public backlash in the form of rising nationalism and populism that could pull Europe apart. And

a disintegrating Europe would only accelerate America's drift toward an Asian-centric foreign policy. A development that is neither in Europe's, nor America's self-interest.

A Europe that is tearing itself apart will be, by definition, less strong. And a Europe that is less strong will be less useful for the United States.

In this regard, the most immediate strategic problem for the United States created by the euro crisis will be the coming, inevitable budget austerity in Europe. Belt tightening is already eroding European capacity to share the burden of paying for global public goods.

European defense spending has dropped almost two percent annually for a decade and more cuts are in the works. The cost of short changing defense was evident in the Libyan conflict, where Britain and France would not have been able to carry out their successful mission without U.S. munitions. Faced with our own budgetary constraints, longstanding American resentment about Europe's lack of burden sharing is only likely to grow, poisoning future defense collaboration.

More broadly, the euro crisis is undermining Europe's pivotal job as a democratic, free-market role model for its immediate neighbors. The nations of Central and Eastern Europe joined the European Union to share in its affluence and political stability. Now the EU looks to be a club of austerity, pain and political impotence.

In the future, association with the European economy may no longer look so attractive to Turkey, accelerating its trajectory as an unpredictable and unhelpful free agent in the Middle East. Similarly, as the EU looks less stable and successful, the former nations of the Soviet Union are likely to slip further back into Moscow's orbit.

With the stability of North Africa in doubt and the Balkans still unsettled, the last thing Washington needs is for the European Union to become a centrifugal force in the region.

Finally, European preoccupation with the euro crisis could dash all American hope for transatlantic cooperation in coping with China. Beijing is flexing its muscles in the South China Sea and the Indian Ocean. It is extending its influence in Pakistan, in Africa and Latin America. It is developing its own brand of Chinese state capitalism that certainly looks more attractive to many around the world than that being practiced in Europe or, I dare say, even in the United States. Washington will be hard pressed to counter this Chinese influence on its own. And we could find ourselves without an effective European partner.

In closing Madame chairwoman, the euro crisis is also a crisis of Europe's military and diplomatic leadership and vision. And, as Europe's strategic partner for the last two generations, Europe's problems are now our headache. It is imperative that the United States do whatever it can to help Europe resolve its current economic troubles. Most

important, we need to work together to mitigate the foreign and security policy challenges created by the euro crisis.

Thank you. I look forward to your questions and comments.