

EUROPEAN POLICYBRIEF

THE EUROPEAN UNION EXTERNAL ACTION IN TIMES OF CRISIS AND CHANGE

IMPACT OF SHIFTS IN THE GLOBAL ORDER

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5th Round Table's Summary of Findings and Policy Recommendations

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INTRODUCTION

The end of the cold war in 1991 considerably impacted the international order, as it marked a further consolidation and extension of the multilateral liberal order, fashioned under US leadership. As such, it came to incorporate the part of the world, which had remained under soviet domination since the end of the Second World War.

At first a unipolar international system, dominated by the US, seemed to emerge, though counterbalancing efforts soon followed. First the EU, planning to become a global actor, started forging a common independent foreign and defence policy complementing its economic and monetary one. Secondly, several new rising powers emerged thanks to their intrinsic potential and the new opportunities of a global market.

These evolutions towards an increasingly multipolar world challenge the future of the international order all the more, because during the entire 20th century, with the exception of Japan, the leading powers had remained the same. Furthermore, the financial crash of 2008 and its aftermath resulted in a deep recession and difficult recovery in the western economies, while emerging powers continued their rapid economic growth, even if the ability of some of them to maintain their high growth momentum has been questioned.

As the shift in economic power is more apparent than shifts in military power and in various measures of soft power, its major outcomes in terms of global order will depend on:

- The capacity of western States to resolve their internal dilemmas over austerity and legitimacy
- The capacity of western States to find new sources of environmental sustainable growth
- The capacity of eastern and southern States to combine economic prosperity with political and social reforms
- The capacity of leading powers to find enough common ground to collaborate

In this context, co-ordinating and developing a European response has proven to be a major challenge for the EU's External Action. Multipolarity does not automatically imply multilateral co-operation. The stress of the global order's rebalancing, exposed by the financial crisis, calls for ideas for more inclusive governance mechanisms; yet how can the EU help to build this new world order?

ANALYSIS & POLICY IMPLICATIONS

The global shift is a long and undefined process of transition, in the framework of which the **decline of Europe remains relative**. The EU's greatest success has been to develop an alternative economic and social model to that of the US. It can still play a positive role: seeking to develop policies which enhance international co-operation, as well as the security and prosperity of its citizenry, while also contributing to the formation of stronger global governance, by way of its unique experience of multilateralism.

1° The EU's External Action and internal co-ordination

In order to be a credible external policy actor, the EU must however ensure internal cohesion and legitimacy. In recent years, its success has been overshadowed by the **internal governance problems of the Eurozone**, by its **democratic deficit** and by the **slow progress made in resolving those problems**.

The reaction of the EU to the financial crisis has often created a perception that it is actually surviving without governing, and that it lacks the capacity to reform its internal economic governance. If the EU proves unable to agree on a model of financial regulation at EU level, how can it have any leverage at the international level? From an external point of view, the crisis divided the EU, while for the EU to speak out clearly and to conduct a coherent foreign policy, co-ordination has to be enhanced both at national and European level.

An explanation of this perceived contradiction might be found in the difficulty for the EU to combine its post-modern democratic model with the shifts in the global economic order. The changes mainly imply a redistribution of power in favour of emergent actors, which remain primarily westphalian in outlook. In contrast to the emergent powers, the EU is not a state. Its way of functioning rests upon the capacity of its member states to reach consensus through complex mechanisms of negotiations. Compared to its partners, who are primarily states, the EU is (by nature) slower in taking decisions and consequently less clear in its external messages.

A fragile equilibrium has to be found between the EU's complex policy making processes and the consent of its population, which is characterised by diversity. Fundamental questions for the EU are: whether the European model of socio-economic growth is compatible with emerging trade and competition problems on the one hand, and whether it enhances the kind of Europe that European citizens want on the other.

The EU's legitimacy is therefore currently challenged both externally and internally. This, combined with its primarily soft, normative and diffuse power, explains why the creation of the so often requested "single telephone number", or the efforts geared towards financial regulation have so far proven to be tentative at best. The call for more internal accountability and legitimacy is, at times, at odds with the EU's quest for more cohesion, which is needed for the more efficient external policies often called for by its international partners.

As the EU seeks to adapt to increased global competition by leveraging its comparative advantages, it must continuously seek to redefine itself in light of shifting internal balances and legitimacy questions.

2° EU External action and multipolarity

The EU was, until recently, perceived as both a successful league of democracies and a regional economic association. However, the **risk exists that it might become inward looking, thus frustrating international trade and co-operation** rather than using its experience to provide the foundations for wider multilateral bargaining.

The EU is widely perceived as a laboratory for "deepened multilateralism", a medium scale experience of how multipolarity might be dealt with as obstacles emerge when states work towards greater co-ordination. The EU offers a well-developed balance-of-power system, where essential norms are clear to its member states. Within this stable system, alliances form among EU member states with specific purpose; these are short in duration and they tend to shift according to advantages rather than ideology.

Even though diffuse reciprocity tends to be one of the EU's driving forces, direct reciprocity and bilateralism remain central to understanding the way in which states currently interact on the global scene. While the trend towards multipolarity implies the spreading of power to different actors, a fundamental difference exists between the EU and the other "poles": while other poles, such as the US or the BRICS, act externally as states, the EU cannot. As a consequence, "joint" positions expressed by the EU towards its partners can be in contradiction with positions expressed by individual EU member states, which in turn can hamper the EU's position. The difficulty for the EU to reach a common position in the framework of International Organisations' reform is particularly illustrative in this regard (no Eurozone seat at the IMF, no EU seat at the UN); even more so, is the difficulty for the EU to jointly address global imbalances or financial regulation when the perceived immediate and direct interests of some of its member states call for an individual approach.

The question is consequently: how can the EU, a "post-modern" multilateral structure, efficiently reach out and defend its interest in a multipolar but still "modern" world? While the "old" world order is over, the gestation of a stable "new" one is likely to be a long term and continuous process.

As changes fostered by multipolarity create new spaces for actors' interaction – even in the absence of a clear vision – an opportunity exists for the EU to reach out externally through its experimental nature. Emerging economies do not seem to understand multilateral co-operation, other than as a form of bargained macroeconomic redistribution. For the BRICS for instance, the redefinition of the global trade system is something done outside of multilateral frameworks. Nothing such as a coherent BRICS' trade policy stance exists, and multilateral frameworks are often perceived as a way to negotiate around them rather than with them. The combination of the internationalisation of production (associated with increased interdependence), and of the shifts in global equilibrium (such as emergence of new powers), results in a global trade system lacking in leadership. Deepening multilateralism could, in this context, become an international aspirational goal, for which the EU has a unique experience to share.

Because it has so much experience in reaching consensus among its member states, the EU is a laboratory for what needs to be achieved in international negotiations

1. Europe has to adjust and participate in changing the multipolar world. Proposals on how to enhance the efficiency of multilateralism, clearly based on the EU's experience, would be welcome. A clear policy review process, allowing policy lessons to be drawn from past regional successes (e.g. common market building; liberalisation; 4 freedoms etc.) and relative failures (e.g. fiscal co-ordination; external monetary policy; etc.) are to be drawn and shared with third parties.
2. Multilateral co-operation should be promoted as a global aspirational and structuring goal. For example: push for the reform of Art. 4 of the UN Charter in order to open membership to regional organisations, herewith fostering the diffusion of power among actors in the global area. NB: this should not be just another shift of power to a new leader.
3. In matters of trade, the combination of the internationalisation of production, which implies increasing interdependence with the emergence of new powers, calls for a new system of global trade government and leadership. As a consequence, renewed global trade talks should be sought and bilateral agreements kept within the existing WTO framework.
4. Changes in the multipolar world order should be systematically mapped and analysed in order to identify the new spaces for actors' interactions.
5. Diffuse reciprocity should be put forward in the context of negotiations, including the EU. For example: effective multilateral trade co-operation requires economic growth in developing countries, in order to enhance consumption.

The EU needs to enhance its cohesion and to develop common policies in order to remain a significant player in international negotiations.

6. The EU needs to continue deepening its own single market as a mean to encourage greater trade with other regions. New areas of market integration should be opened up (e.g. whole and retail sales; internet economy; services etc.)
7. The EU urgently needs to show its capacity to reform its economic governance: if the EU cannot agree on a model of financial regulation at European level, leverage on the international level is seriously compromised.
8. The European model of socio-economic growth needs to be compatible with the expectations of European citizens: it needs to be internally accepted before being exported into the international scene.
9. Foreign policies, at national level on the one hand, and at European level on the other, need to be better co-ordinated within the EU. To this effect, the external action institutions created under the Lisbon Treaty are to be used to greater effect, notably in co-ordinating the EU's various external actions, including trade.
10. A Eurozone seat at the IMF and at the World Bank should be created.

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