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European Foreign Policy and the Euro-crisis

Jan Zielonka

European University Institute
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European University Institute

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Abstract

This paper will try to explain the nature of European actorness, the mode of European policy-making, and the formation of common European interests. What are the pillars of EU power and how does the EU engage in power politics? Has Europe's normative power of attraction vanished as a consequence of the Euro-crisis? Today Europe is no longer seen as a generator of security and well-being. Its laws and norms are no longer seen as generating efficiency and justice. And the crisis has split Europeans apart making it difficult for them to bring their respective national interests onto line in either economic or security fields.

Keywords

European Union, foreign policy, Euro-crisis, Europe's power

The Euro-crisis has caused collateral damage in many fields, including foreign policy. This article will endeavour to assess the damage.

Foreign policy is about many different things, but in its essence it is about exercising power. The Euro-crisis has not caused any major diplomatic dispute between the EU and its competitors and partners. However, it is fair to assume that it has undermined the EU's power in both material and ideational terms. This is why the focus of this paper is Europe's power and European power politics in the time of crisis. Of course, different actors wield power in different ways. Some rely chiefly on material sticks and carrots; others prefer to rely on their sex appeal. Some use foreign policy for territorial or economic gain; others attempt to influence the rules of international conduct or to shape notions of legitimacy. Foreign policy choices are partly conditioned by capabilities, and partly by interests and geostrategic visions. The European Union is not a state, and its policies are often more about diffusing differences among the 27 member states than about projecting power abroad. In fact, the very notion of abroad is rather fuzzy in the EU's case, and so are the notions of interest, government, and policy instruments. The terms power and power politics are seldom used in the European discourse. European integration is said to overcome the power politics' syndrome. This is easier said than done, especially where foreign policy is concerned.

This paper will try to explain the nature of European actorness, the mode of European policy-making, and the formation of common European interests. What are the pillars of EU power and how does the EU engage in power politics? More specifically, has Europe's normative power of attraction vanished as a consequence of the Euro-crisis?

The EU as a foreign policy actor

The EU is a peculiar international actor, a kind of "unidentified political object" to use Jacques Delors' expression. The Union lacks some of the essential structural features of a state. It has no effective monopoly over legitimate means of coercion. It has no clearly defined centre of authority. Its territory is not fixed. Its geographical, administrative, economic and cultural borders diverge. It is a polity without a coherent *demos*, a power without an identifiable purpose, and a geopolitical entity without defined territorial limits.

European Common Foreign and Security Policy (CFSP) is a misnomer because EU member states are permitted to act outside the EU framework, as, in fact, they frequently do, either within the United Nations' framework or via the Organization for Security and Co-operation in Europe (OSCE), Council of Europe or NATO. European foreign and security policies are often carried out by formal or informal coalitions of the willing, by contact groups or through bilateral initiatives.

However, it would be a mistake to dismiss the EU as having no role in foreign policy. Over the years the EU's framework has become the most important centre of European foreign and security policy debates, where national policies meet and part. Today, diplomats from EU countries meet about 100 times a year to consider political and security issues, and adopt over 100 joint statements, communiqués and declarations annually. Individual EU member states usually speak and act "in the name of Europe", if not through Europe itself. In the field of external trade the Union is already a unified actor with the European Commission in charge of negotiating all crucial trade agreements. Over the past decade the Union has also begun to acquire its own military capability and is now in the process of acquiring its own diplomatic service.

In summary, the Union is clearly a vibrant international actor without assuming the role of a state.

The EU's power politics

The EU does not exercise power in the same way as nation states. It is a largely civilian power promoting universal norms in its vast neighbourhood and beyond. The EU's greatest asset is the power of example. The EU represents a unique project congruent with the deeper forces of modernization and cross-border integration. It contributes to international order, development and cooperation by spreading institutional structures and rules of legitimate behaviour.

The set of norms and laws that guides the process of European integration has made Europe a model of prosperity and peace. The EU's foreign policy rests on the assumption that export of these norms and laws can help others to emulate the European experience. This is not a mere benign exercise of power. Adopting EU norms and laws often implies severe domestic constraints on the EU's partners all over the world. Some EU regulations on environment or food safety may appear to be mere technicalities, but their adoption often has major economic, if not political, implications for the countries targeted. Moreover, EU policy is chiefly guided by self-interest and not by altruistic concerns. The European public are keen to maintain their current standards of life, work, and health. Failure to export their standards to other countries would place European firms at a comparative economic disadvantage. The EU's promotion of democracy and good governance can also be seen as intrusive and ideologically biased by those on the receiving end in, for instance, the Arab world or Asia-Pacific.

The EU's normative power goes hand in hand with its material capabilities. No economy in the world can ignore the EU with its nearly 500 million inhabitants, a quarter of the world's GNP, and around 40 per cent of the world's merchandise exports. Despite the crisis, the Euro is still the world's second most important international reserve and trade currency, ensuring that the EU has a major influence globally. The EU is the world's largest provider of developmental aid. In 2006 the EU paid out over 2 billion euros in aid, representing over 40 percent of official aid internationally.¹

When dealing with international partners, the EU has a comprehensive array of economic, legal, diplomatic and military instruments at its disposal. For instance, the EU together with the US produce around 80 per cent of international norms and standards that regulate global markets, including the Dollar and the Euro.² China has already applied EU regulations to its motor industry and adopted EU food safety provisions. The GSM standard is used for mobile communications, cordless phones and technologies that are delivering broadband to tens of millions of customers globally.³

Through various regulatory regimes, the EU is able to dictate to domestic actors across the world what they can and cannot produce if they want to export to the EU. EU regulatory regimes also impose extra-territorial scrutiny and arbitration tribunals on these actors. Consider, for instance, the European Court's decision to effectively prohibit the merger of two US companies (General Motors and Honeywell Bull). The Microsoft case is another good example here.

Needless to say, this norm-setting global record is not just a function of Europe's unique intellectual capabilities, which it especially has in the field of law and governance, but is also a function of its enormous trade leverage.⁴

¹ "Council of the European Union: Humanitarian Aid," Internet, <http://www.consilium.europa.eu/policies/eu-development-policy-%28ec-wbsite%29/main-themes/humanitarian-aid.aspx?lang=en> (date accessed: 4 November 2011).

² See André Sapir, "Europe and the global economy," in *Fragmented Power: Europe and the Global Economy*, André Sapir, ed., (Brussels: Bruegel Books, 2007), p. 12.

³ See "Europe in the World" Communication from the Commission to the European Council of June 2006, Document No 2438, Brussels, June 2006, p. 3.

⁴ See Sophie Meunier and Kalypso Nicolaidis, "The European Union as a conflicted trade power," *Journal of European Public Policy*, Vol. 13, No. 6 (2006), pp. 902-21.

The EU also exercises power in the field of security, but again in a different way from traditional nation states. EU peace-keeping operations have multiplied in recent years, reaching different and often remote places such as East Timor, Congo, Sudan, Afghanistan, Iraq, Lebanon, Bosnia and Georgia.⁵ However, the political significance of the operations has been rather symbolic. The largest EU-led mission – European Union Force Chad/CAR – involved some 4,000 troops (half of them from France), but other missions have usually included no more than a few hundred if not a few dozen diplomats, policeman or observers. It is the EU's contribution to securing peace in Europe itself that has been of greatest value. European integration has managed to link the ever-growing number of member states to each other in a tight institutional framework. Bloody wars were fought among these countries for centuries, and now the countries only fight diplomatic wars at successive meetings of the European Council. Put differently, the EU framework has institutionalized, if not pacified, inter-state relations in Europe. By exporting the European governance abroad, the EU hopes to pacify relations among its immediate neighbours in Eastern Europe, the Balkans, Middle East and North Africa. This is why the Nobel Committee in Oslo awarded the 2012 Peace Prize to the EU for its historical role in “promoting reconciliation and peace.” After all, countries such as Bangladesh, Egypt or Nigeria have a better record of participation in traditional UN-led peace keeping operations than the EU. However, they are unable to structure, institutionalize and legitimate relations in their respective regions to the benefit of security and peace in the way that the EU has been able to.

EU interest formation

Power without purpose is meaningless, and the purpose is the function of interests. Interests in democracies are not a given, but result from a complex process of preference formation involving the public and its democratically elected representatives. Of course, culture and history play a role in this process of interest formations and so does the geostrategic position of a given actor. The EU does not really have any of this. It does not have a single public or *demos*, but 27 distinct *demoi*, each of them informed by a distinct history and culture. The EU's geostrategic position is also hazy because EU borders shift frequently due to successive enlargements. The EU also lacks a fully-fledged democratic mechanism that would allow for a respectable degree of public deliberation across its territory. European parties are artificial constructs with strong national (and often partisan) undercurrents. The European Parliament lacks a sound legitimacy to aggregate political preferences and to make choices acceptable for the EU's citizens across the entire continent. This is why European foreign policy has an intergovernmental nature; democratically elected leaders go to Brussels to negotiate the notion of the common European interests. This notion usually represents the lowest common denominator and is born through long and painful bargaining processes. Consequently, the EU is seldom able to respond quickly to any serious crisis because it first needs to work out the notion of its common interests in a given case. The President and High Representative for Foreign Affairs envisaged by the Lisbon Treaty have no powers to take key decisions on behalf of member states. Indeed, most decisions require the unanimity of all 27 member states.

The coherence of the EU decision-making system is further undermined by the so called “pillar structure”, which separates trade and economics from foreign and security policy. Most foreign policy instruments are within the economic pillar or outside of the Union structure altogether. In other words, the Union does not only need to negotiate the notion of its common interests but also how much

⁵ The EU has launched civilian missions to monitor implementation of the peace process in Aceh in Indonesia, support the stabilization process in the Democratic Republic of Congo, and support the Iraqi rule of law sector and the reform of Palestinian civil police. The EU contributes to building police capacity in Bosnia and Herzegovina and in the Former Yugoslav Republic of Macedonia. The EU is supporting policing elements of the African Union Missions in Sudan and is also contributing to the rule of law reform and border monitoring in Georgia. The on-going missions also include the **EU POL in Afghanistan, the EU border assistance mission to Moldova and Ukraine, and** the civilian-military supporting action to AMIS II in Sudan.

member states contribute in both human and financial resources to ensure the agreed policies can be implemented.

All this has serious implications for European power politics. The EU can hardly project power abroad in a strategic manner because strategy demands the ability to set clear objectives and an application of means to meet these objectives. On the other hand, the lack of a clear strategy makes Europe less vulnerable to accusations of pursuing its own selfish ambitions at the expense of others. This is why Europe is viewed with far less suspicion than America which tends to be balanced by strong actors and cheated by weak ones.

The complex intergovernmental bargaining process required for EU decision-making prevents bold and quick actions but it also ensures that the Union does not take precipitous actions that it would later regret. It is difficult, for example, to imagine the Union taking a unanimous decision to invade Iraq. Moreover and more crucially, the extensive process of negotiations and bargaining helps the Union to diffuse internal conflicts over foreign affairs (and this is one of the EU's most important tasks). Deliberation and reliance on consensus has its price, however, because it makes it difficult for the Union to exercise its power in an instrumental manner by bribing and punishing reluctant states. The EU is much better suited to creating institutional structures and setting up rules of legitimate behaviour than acting as an effective fire brigade when problems erupt abroad.

In summary, the EU is well-suited to the sort of foreign policy advocated by Hugo Grotius or Immanuel Kant, but ill-suited to the policies of Niccolò Machiavelli or Thomas Hobbes. This is why the EU's greatest asset is its ability to create a structural environment conducive to peace and cooperation. The EU is not good at managing crises, conducting secret negotiations or manipulating international institutions.

The impact of the Euro-crisis

First, the Euro-crisis has made the EU a destabilizing international factor. The crisis has put numerous economies around the world under enormous strain. The most immediate impact was felt in the periphery of the Euro-zone in Hungary and Latvia, but even such economic giants as China and the United States have been preoccupied by the possible negative implications of a Euro breakdown. In the past, the EU was perceived as a generator of stability and prosperity. Today, it is generating uncertainty and insecurity.

Second, the Euro-crisis has tarnished Europe's power of example. Several European economies appear to be insolvent and the common currency is under threat. The way Europe has been handling the crisis is also discouraging. The initial responses to the crisis were too much about austerity rather than growth, too much about sanctions rather than incentives, too much about top-down rigid rules rather than bottom-up initiative and accommodation. A rigid, stingy and oppressive EU is hardly a model an external actor would want to emulate.

Third, the Euro-crisis has undermined the EU's credentials as a setter of laws and norms. European treaties have been found inadequate and poorly observed. The crisis revealed the scale of cheating in such states as Greece, but Germany and France's failure to live up to the stipulations of the Maastricht Treaty has also had a negative impact on Europe's image as a trustworthy norms setter. Moreover, the management of the crisis has been conducted mainly with politics and economics in mind rather than law. True, under Germany's insistence, the Union has adopted the so-called Fiscal Compact Treaty introducing national "debt breaks," and a 1/20 rule by which countries face severe sanctions if they fail to reduce their excess debt by 5 per cent a year. However, this treaty has been seen by debtor countries as a symbol of legislating inequality and as such a poor foundation for the rule of law.

Fourth, the Euro-crisis has pulled several EU states further apart from other EU states, complicating a process of joint European interest formation. A major cleavage has emerged between

the creditor states who proudly call themselves the “Triple A” countries and the debtor states labelled rather derogatorily as the “PIGS” (an acronym that formally refers to the economies of Portugal, Italy, Greece and Spain while “Triple A” refers to the superior rating awarded by major credit agencies). Another serious cleavage has emerged between those EU member states that are part of the Euro-zone and those outside it. What’s more all these groups are split still further into many sub-groups, each fiercely arguing their partisan case. At stake is equal access to EU decision-making and resources. At stake is also mutual the trust needed to do business together, especially in difficult times. Foreign policy usually demands actions in difficult times but the Euro-crisis has caused member states to become suspicious of each other’s intentions and to have little confidence that their differences can be bridged by accommodation and compromise. This will obviously complicate any future process of common interests formation, especially if under pressure of external events and time.

Fifth, the crisis has made the EU introverted and passive towards its external environment. Foreign policy preoccupations are now of secondary importance. European leaders are currently reluctant to devote as much time and resources to them as before the Euro-crisis. Europe’s passive response to the Arab Spring is a telling example here. Domestic financial pressures generated by the crisis have reduced the funds available for foreign policy and developmental aid. High profile normative stands on human rights are increasingly judged as too “costly” when dealing with states, most notably China, that could potentially alleviate Europe’s financial problems.

Conclusions: power and foreign policy

On the surface, European foreign policy does not seem to be particularly affected by the crisis. The High Representative for Foreign Affairs travels around the world meeting foreign officials. The European Council adopts resolutions dealing with numerous complex international issues. The Presidents of the European Commission and Council make speeches focussing on global and regional politics. It is only when we examine the EU’s foreign policy from the perspective of power and power politics that we see the devastating impact of the Euro-crisis. Today it sounds like a farce when the President of the European Council, Herman Van Rompuy, proudly declares – “Without Europe, there would still have been an Arab Spring, but without us there will be no Arab summer!”⁶ A few years ago Van Rompuy’s words could have sounded like a credible prospect and a promise of a tangible EU commitment to the cause of Arab development and democracy. Arab politicians would have known that behind the EU rhetoric there stood a power of example able to appeal to those constituencies they wished to attract. They would have believed that the EU’s quest to promote laws and norms was likely to benefit not just the EU but also themselves. They would have viewed the EU’s declarations of ‘mutual accountability’ as fair and reliable.⁷ Yet, the EU’s recent treatment of the indebted states within the Euro-zone questions the EU’s commitment to fairness and solidarity. If the EU treats Greece and Portugal in a stingy and dictatorial manner, why should it behave any differently towards the Arab states?

⁶ European Council, *Remarks by Herman Van Rompuy President of the European Council at the European Parliament Conference of Presidents*. EUCO 32/1/11 REV 1, Brussels, 28 June 2011a.

⁷ For a selection from the EU official discourse in which terms such as ‘deep democracy’, ‘mutual accountability’, and the ‘3 Ms’ (money, market access and mobility) are developed, see: C. Ashton, *The EU Wants 'Deep Democracy' to Take Root in Egypt and Tunisia*, *Guardian*, (4 February 2011): <http://www.guardian.co.uk/commentisfree/2011/feb/04/egypt-tunisia-eu-deep-democracy>; European Commission, ‘Joint Communication to the European Council, the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean’, COM(2011) 200 Final, Brussels, 8 March 2011; European Union, ‘Speech of High Representative Catherine Ashton on Main Aspects and Basic Choices of the Common Foreign and Security Policy and the Common Security and Defence Policy’, A 179/11, Brussels, 11 May 2011; S. Füle, ‘Revolutionising the European Neighbourhood Policy in Response to Tougher Mediterranean Revolutions’, SPEECH/11/436, Brussels, 14 June 2011.

The EU has never succeeded in acting strategically, rewarding friends and punishing foes. With its greatest asset the power of example, other actors wanted to look, talk and walk like the EU. However, today Europe is no longer seen as a generator of security and well-being. Its laws and norms are no longer seen as generating efficiency and justice. And the crisis has split Europeans apart making it difficult for them to bring their respective national interests onto line in either economic or security fields. An inward-looking Union obsessed with its own problems will be a very different international actor from the Union we learned to know over the past decades. Its foreign policy will be an empty shell as a consequence.

Author contacts:

Jan Zielonka

University of Oxford

St Antony's College

70 Woodstock Road

OX2 6JF

Oxford

UK

Email: jan.zielonka@sant.ox.ac.uk