

## EU governance under the stress test of emerging economies

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The euphoric period following the fall of the Soviet Union – when it seemed obvious that the world would westernise, politics would become more democratic and economies more liberal – has ended. And now Europeans fear to be marginalised on the international stage.

The long-term geo-economic shifts underway since the 2000s – with the appearance of new actors, the rise of new powers and the simultaneous relative decline of American capacity and influence – have now been transformed by financial crises and Western public debt into a full-scale reversal of the relationship between the West and emerging countries.

In addition, alongside this changing international context, the EU's current internal evolution is marked by deep divisions between member states and a new rise of nationalism throughout Europe. European solidarity is constantly tested. The Eurozone debt crisis is hitting Europeans hard and giving priority to domestic issues, with little time and attention left for EU's external action. The negative spillover of the crisis is thus affecting the EU's influence in the world.

A strong economy is the precondition of any influential strategy at the global level. The EU's influence in the world is directly linked to its ability to resolve the Eurozone debt crisis and to recover economic growth. But while sticking to these priorities, Europeans should prevent their external action policies and instruments from becoming additional casualties of the crisis. To avoid the EU's influence shrinking in the post-crisis global order, Europeans must also:

- Turn the BRICS' lack of coherence and cohesion into a EU's benefit;
- Improve the EU's decision-making process;
- Build concrete strategic partnerships.

### **1. To what point are Europeans challenged by the new powers?**

Most forecasts show, with the tremendous growth trends of 'Chindia', that the equilibrium of the 21<sup>st</sup> century will be defined in Asia. The tremendous demographic weight of those two countries, China and India, added to the speed of their development during the last decade is certainly creating a new gravity shift between global powers. While [China represented 2% of the world's economy 30 years ago and 8% today](#), it will probably reach 20% by 2030\*<sup>1</sup>.

This radical upheaval in economic masses and growth rates linked to the growing power of the emerging countries has accordingly made them more assertive when defending their interests and has pushed them to call for a better representation in international organizations. The G20 is the best illustration of this tendency: global policy issues, such as currencies, trade imbalances, resources constraints or climate change could not continue to be discussed solely by the G7/G8. The IMF and the World Bank are under the

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\* The underlined words refer to documents available on the website of Notre Europe ([www.notre-europe.eu](http://www.notre-europe.eu)).

<sup>1</sup> Pascal Lamy, "The Future of Europe in the New Global Economy", Tribune based on his address entitled "Where is the global economy going? Where is Europe going?", delivered at Notre Europe's European Steering Committee on 18 November 2011.

same pressure. It could be the last time that the IMF is chaired by a European and the recent appointment of the Korean-American, Jim Yong Kim, at the World Bank illustrates this transition as well.

However, it is certainly too early to talk about a 'new world architecture'. Intensive debates are currently taking place, trying to determine to what degree the emerging countries' reconsideration of the liberal order, dominated by the United States and Europe (open markets, social bargains, democratic community, multilateral institutions and cooperative security), is worrisome. Whether this tendency will give way to a more fragmented and contested system of blocs, spheres of influence and regional rivalries is a growing worry for the Western countries.

What is noticeable currently is the emergence of a multipolar world, with a new geographical distribution of economic powers. Yet, increased assertion by the new economic powers is still fragmented.

- **There is yet no direct transformation of new economic powers into political powers or hard powers.**

In spite of alarming trends of military expenditures in countries like China and India, political influence does not depend solely on wealth and size. Europeans know that well. The EU has not been able to become a global actor with an influence (Copenhagen Summit) and constraint capacity (Middle East) proportionate with its wealth. Europe sees itself as a soft power, but it lacks a concrete action plan that would lead to more political gains.

- **Newly powerful states – especially China – do not seem to have a clear agenda for global order, yet.**

More than having ideas for world order, their priority is to defend their own interests, starting with their economic growth. If emerging economies have recovered from the financial crisis sooner than Europe and the US, their growth has however been reduced. They need to review their growth model and they are more worried than before about the necessity to conduct internal reforms.

- **The so-called [BRICS](#) are not yet a pivot for the new world order as they are not a coherent group in major political, security, economic or trade issues.**

They are very diverse in their political structure – they vary from real democracies to authoritarian states – as well as in their economic specialisation – while Brazil focuses on its agriculture, Russia on its natural resources, India is specialised in services and China in manufacturing. India and China can be considered strategic competitors as much as allies. China remains hostile to India's claim to become a permanent member of the UN's Security Council. Many analysts agree to think that there is still a long road before China and India move from strategic competition to partnership. Their competition for market access and, even more, concerning natural resources is so intense that the key question remains to see if the Asian development will remain peaceful.

The old industrialised countries' leadership concerning the regulation of global issues is clearly challenged by this power shift. The failure of the Copenhagen negotiations on global warming was the first strong alert that Europe's influence was decreasing: Europeans did not anticipate that emerging economies would not automatically get in line with Western powers any more. The BRICS and other emerging economies will need more than a decade of rapid growth to capsize the US and Western Europe global economy leadership but the instruments of EU's influence, such as the European normative strategy, need to be reviewed to be reinforced.

To preserve the EU's influence in a multipolar world, in which middle and regional powers will play a greater role, Europeans should thus admit that the lack of cohesion between the BRICS themselves and with other emerging economies may not last for long. The recent announcement made during the fourth BRICS' summit meeting in New Delhi in March 2012, of the possible setting up of a new development bank that could spur the development of the emerging and developing countries, marks the possible quick evolutions of the BRICS' cooperation.

Europeans should thus take advantage of this transitional period to adapt their own strategy. Remaining on the list of the 2030 powers (which are most likely to be the US, China, the EU, India and Brazil) may depend on:

- The EU's capacity – jointly with that of the US' – to avoid provoking an emerging economies coalition (by defending too offensive positions).
- The EU's ability to cooperate with great powers and to put itself at the centre of coalitions capable to cope with global challenges.
- Ad hoc partnerships between the EU and specific countries on specific issues to avoid that sort of coalition of new powers.

However, during this transitional period, during which North-Americans and Europeans might weigh less, the risk of a responsibility gap in the regulation of some worrying global issues, such as climate change, will remain.

## **2. Improving the EU's governance**

To cope with challenging competitors and to develop the EU's official foreign policy priority (to work towards a more structured global multilateral order), the EU needs to improve its decision making process and the coordination of its external action policies and instruments.

- **The EU should end with the veto rule remaining in some competences areas, like foreign affairs and defence; or at least favour the principle of constructive abstention.**
- **In an EU of soon 28 member states, which could be 35 in some years' time, differentiated integration is necessary.**

Using the tools of [enhanced cooperation](#)<sup>2</sup> and "Permanent Structured Cooperation" provided by the Lisbon Treaty could contribute to create a new momentum for European integration, with a perspective of progressive integration for all member states. This would help Europeans respond to acute new challenges, like the increasing competition over energy resources. The [external energy policy of the EU](#)<sup>3</sup> could be an interesting ground for more differentiated integration: it would help Europeans to present a single interface in their relations with their external partners.

- **Still much to do for an efficient EEAS.**

While focusing on fiscal consolidation and economic recovery, the EU needs to clarify its external action strategy and introduce more coherence with its internal policies. Avoiding overlapping policies and allowing for better coordination would increase the efficiency of the EU's of external action policies and instruments.

The EEAS has been established to be the locus of coordination for the EU's external action: the EU diplomacy is invited to play a key role in the programming of different external instruments. In theory, the inclusion of key CFSP/CSDP bodies gives the EEAS important responsibilities in the planning of civilian and military crisis management. But decision-making power still belongs to the traditional EU external actors (European Commission and the member states chairing in the Council); key tools of external action (such as trade, enlargement, and external dimension of internal policies) also remain part of the European Commission's competences and President Barroso is leading the group of commissioners in charge of those competences. Until now the High Representative of the Union for Foreign Affairs and Security Policy (HR) has not succeed to lean on her position of vice-president of the

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<sup>2</sup> Gaëtane Ricard-Nihoul, *Pour une fédération européenne d'Etats-nations. La vision de Jacques Delors revisitée*, Larquier, May 2012, pp. 130-131.

<sup>3</sup> Sami Andoura, Leigh Hancher and Marc van der Woude, "Towards a European Energy Community. A Policy Proposal by Jacques Delors", *Study No. 76, Notre Europe*, April 2010.

European Commission to coordinate them with the EEAS initiatives. And last but not least, while chairing the Foreign Affairs Council, the HR was supposed to bring more continuity in the Council's work in order to guarantee not only the crisis management but also midterm and long term strategic vision. But the HR has not taken any striking initiative.

- **Revision of the European Security Strategy.**

Europeans have long been looking for a global strategy to manage increasing interdependence with a changing external world. The 2003 so-called European Security Strategy (ESS), presenting the priorities of the EU's external action on the global stage and supposed to avoid overlapping or contradictory actions between different external instruments and policies, was the most comprehensive attempt. But it has not been reviewed since 2008.

Europeans need to anticipate the scenario of a shrinking European influence with a new inclusive strategy integrating the broad impact of the crisis and explore the idea to enlarge the specific focus of the ESS on security matters to geo-economic ones. A new strategy could embrace a European geo-economic diplomacy, capable of promoting its economic interests globally.

An extensive dialogue between European institutions (the EEAS, the member states, the European Commission, the Council and the European Parliament) on challenges such as ageing demography, energy supply, migration regulation, economic recovery, terrorism, etc., would be necessary to elaborate this new strategy. It would help avoid institutional discrepancies and a lack of capacities, which currently are both limiting the EU's external action planning.

- **Rationalising the EU's external representation in the multilateral architecture.**

In multilateral organizations and international agreements that deal with matters of EU competences, the status of the EU should be upgraded. EU delegations are now in principle well placed institutionally to represent the EU in the main centre of multilateral diplomacy, because they can represent the entire EU and not just the European Commission as in the pre-Lisbon era. But, uncertainties remain concerning how the interests of member states should be represented in the case of shared competences; and, in some cases, the upgrading of the EU's status to something more than a mere observer would be needed.

Furthermore, Europeans, which are over-represented in multilateral institutions, could contribute to take more into account the growing importance of the "emerging" global actors. But those reforms can only be part of a comprehensive strategic vision of EU's external action.

### **3. Build concrete strategic partnership**

- **Desperately looking for the global strategic interest of the EU.**

The EU needs to move beyond what is widely perceived as a reactive ad-hoc tactical response to global crises. In an ever more challenging globalised world, Europeans cannot continue to shy away from an in-depth discussion about their global strategic interest. They have to [think global to act European](#). They need to take distance with a Eurocentric vision of globalisation, and rather elaborate a common strategy for European economic competitiveness, in which the Union's interests and objectives, values and identities, capabilities and capacities are proactively weighed. By forging not only a narrative but also a strategy for "Europe in a global world", the EU would, in addition, help respond to the emerging populist movements currently rejecting the world's growing interdependences.

Many Europeans may think that this ambition is beyond the capacity of the EU that is currently struggling with the headache of the Eurozone crisis and to re-define itself in the wake of the global financial meltdown, the enlargement fatigue, etc.

To get out of bureaucratic deadlock and administrative disputes, Europeans could thus look for a stronger politisation of external issues debates at the level of the Foreign Affairs council – the EEAS could have a role to play – and on the occasion of the G20 informal summits of foreign affairs ministers. This politisation could contribute to accelerate the decision-making process.

- **Developing strategic partnerships with the main regional actors could thus become an important tool in this endeavour by assessing the EU's interests in the various regions of the globe and clearly defining its objectives towards them.**

The EU has already created this new instrument which could contribute to establish it as the unique interlocutor on a series of key issues, hence limiting the margin of manoeuvre of individual member states. Germany itself, which is China's number-one trade partner in the EU, has been asking Lady Ashton to coordinate a holistic approach to China across various areas like foreign policy, climate change, energy and raw materials. The HR has thus delivered internal reports addressing prospects for relations with six of the EU strategic partners: the US, China, Russia, India, Brazil and South Africa.

But the overall 'mid-term review' of the strategic partnerships scheduled for 2012 will be deceiving. The capacity of the HR to coordinate relevant European Commission directorates-general – such as trade and climate change in the definition of a strategic partnership, in particular with China –, is insufficient. The current dialogue engaged with the targeted countries still fails to effectively address core interests at the politico-strategic level and is merely pointing at important relationships more than building strategic ones.

That the smart concept of strategic partnership has been lacking real substance from the start doesn't mean, of course, that it can't become an effective foreign policy instrument. In order to deliver a comprehensive strategic view of EU's political and security concerns as much as EU's economic and trade interests, strategic partnerships need to go beyond bilateral mindset. The objective is thus not to slow down bilateral relations of some member states but to determine where the EU can help the member states in their relation with the country concerned by the strategic partnership. This crucial test for the Lisbon foreign-policy institutions needs to be addressed quickly, before some member states develop even further their own bilateral relationship, notably because EU is not responding.

- **Shouldn't the EU focus on its vicinity?**

An additional question here is: with the US's strategic interest shifting from European regional security issues to Asia, and simultaneously the new context created by the Arab spring, shouldn't the EU refocus its security and defence strategy and more broadly concentrate on its neighbourhood? The EU's vicinity is in itself a laboratory concentrating the major challenges that the EU is facing at the global level.

In the same way that it needs to get out of its euro-centric vision of globalisation, the EU needs to avoid a euro-centric vision of its vicinity. This is particularly true in the case of the Mediterranean region. As in some countries of the Arab spring the EU will have to engage with "illiberal societies" that do not share all of its core value, such as gender equality.

Another challenge would be to achieve a sincere clarification of the EU's interest in its vicinity: the [revision of the EU's neighbourhood policy](#)<sup>4</sup> has been launched last spring, but in addition to the objective of deeply rooting democracy in neighbouring countries and developing market economies, Europeans have not clarified their own interests, should it be in the field of economy, trade, energy supply, immigration regulation, terrorism... many issues that would help design a more efficient strategy in its vicinity and adjust conditionality policies.

In addition, the EU may also need to develop an innovative management of European security with other main regional actors, namely Russia and Turkey.

After the visionary attempt to adapt to the new world order of the post WWII era by the creation of the EU, Europeans need to pass the new stress test of a very different world order emerging in the 21<sup>st</sup> century by a far-sighted strategic vision.

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<sup>4</sup> Timo Behr, "After the Revolution: The EU and the Arab Transition", *Policy Paper No. 54, Notre Europe*, April 2012.