

## **Course**

**" International Relations of the European Union "**

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## **Reading portfolio**

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### The EU from a theoretical approach:

- Sebastian Santander, "The EU and the shifts of power in the international order: challenges and responses", *European Foreign Affairs Review*, vol 19, issue 1, 2014, pp. 65-81;

### The EU in high politics

- Daniel Fiott, " Introduction ", in Daniel Fiott, *The CSDP in 2020 : The EU's legacy and ambition in security and defence*, European Union Institute for Security Studies, 2020, pp. 6-13;

### The EU and the Enlargement:

- Marek Dabrowski, "Can the EU overcome its enlargement impasse? ", *Bruegel*, 2020 pp. 1-3.

### EU Relations with its neighbourhood:

- Luigi Scazzieri, "Rethinking the EU's approach towards its southern neighbours", *Center for European Reform*, July 2020.
- Gabriela Carmen Pascariu and Giles Rouet, "Introduction: Resilience and the Eastern Partnership. What relevance for policies?" in G. Rouet and C. Pascariu (eds), *Resilience and the EU's Eastern Neighbourhood*, London, Palgrave, 2019 pp. 3-12.

### The European Union and the multilateral system

- David O'Sullivan, "The European Union and the multilateral system : Lessons from past experience and future challenges", *European Parliamentary Research Service*, PE 689.365, 2021, pp. 1-8.

### The EU and its far-abroad

- Sebastian Santander, "The Atlantic Triangle in the era of China's rising power in Latin America", in Mario Telò, *China regionalism and interregionalism and the EU*, Fritz Lang, 2020, pp. 1-18

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- Steven Blockmans, "EU-US Relations: Reinventing the Transatlantic Agenda", *Intereconomics*, Volume 56, nbr 1, 2021, pp. 5-7.
- Marc Franco, "The EU and Russia: A New Foreign Policy for the "Carcass"?", *Egmont Royal Institute for International Relations*, 2021, pp. 1-6.
- Sebastian Santander and Antonios Vlassis, "The EU in Search of Autonomy in the Era of Chinese Expansionism and COVID-19 Pandemic", 2020, pp 1-8.
- Sebastian Santander, "The EU and Brazil in a changing world: strategic partners or competitors?" in Michael Smith, Stephan Keukeleire and Sophie Vanhoonacker, *The Diplomatic System of the European Union*, Abingdon, Routledge, 2016, pp. 181-196

### **The EU from a theoretical approach:**

- Sebastian Santander, "The EU and the shifts of power in the international order: challenges and responses", *European Foreign Affairs Review*, vol 19, issue 1, 2014, pp. 65-81;

# The EU and the Shifts of Power in the International Order: Challenges and Responses

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*This article revisits the debate about the place of Europe on the international stage. Faced with the growing power of emerging countries, what place can the European Union (EU) hope to occupy? In other words, is the world in the process of developing outside Europe, or is Europe positioning itself as one of the principal centres of the international order? In attempting to answer this vast and complex question, the article will examine three points. The first will look at the distribution of global power through the rise of emerging powers. Second, it will examine Europe in the light of changes affecting the international order. There are opposing interpretations. The vision of a Europe in decline is contrasted with arguments that present the Union of twenty-eight Member States as one of the leading poles of the new, emerging international order. The exaggerated nature of these visions persuaded us to favour a third way – that of a European player with relative influence, but ‘under construction’.*

## 1 INTRODUCTION

Among the many trends affecting today’s international relations, over the last few years one in particular that has attracted the attention of diplomats, financiers, the media, and academics – and that is the growing power of certain States, mainly from the South, who are considered to be globalization ‘winners’. The expression ‘emerging countries’ has become a part of contemporary language used to describe them. However, though now popular in the media, the idea of emergence is notable for a certain vagueness regarding its somewhat undefined content. In the absence of a clear definition of the concept, emergence refers to a specific reality – the spread of global power and thus a progressive questioning of the monopoly of power – held over the past two centuries by the Western world.

This article revisits the debate about the place of Europe on the international stage. Faced with the growing power of emerging countries, what place can the EU hope to occupy? In other words, is the world in the process of developing outside Europe, or is Europe positioning itself as one of the principal centres of the

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international order? In attempting to answer this vast and complex question, the article will examine three points. The first will look at the distribution of global power through the rise of emerging powers. Second, it will examine Europe in the light of changes affecting the international order. There are opposing interpretations. The vision of a Europe in decline is contrasted with arguments that present the Union of twenty-eight Member States as one of the leading poles of the new, emerging international order. The exaggerated nature of these visions persuaded us to favour a third way – that of a European player with relative influence, but ‘under construction’.

## 2 TOWARDS A GRADUAL SHIFT IN WORLD POWER?

New spaces for action have opened up with the disappearance of the bipolar order, giving greater political perspectives on the international scene to a whole series of players outside the United States/Western Europe/Japan triad. Henceforward, the American economy and that of the other members of the triad – who represented the lifeblood of trade, production, financial transactions, and global scientific innovation until the start of the 1990s – must pay increasing attention to the growing competition from countries engaged in the reconstruction or rehabilitation of their positions of power. The rise of China, the progressive return of Russia as a political power with global ambitions, and the involvement to varying degrees of India, Brazil, Turkey, and South Africa in international affairs would seem to indicate a transformation in the state of the world and the international balance of power.<sup>1</sup>

It goes without saying that there is a disparity between these countries. The economic and politico-military poles that are (re)emerging worldwide vary, and show no similarity. But most of these countries have experienced accelerating development during the post bipolar era, achieving sustained rates of growth ranging from 5% to about 10%. These are the players who assert themselves as leaders in key sectors of global trade (energy, agriculture, services, manufactured goods, and/or textiles), whilst diversifying their economies. They have become more attractive to foreign investors, thanks to the economic performances that they have achieved, their important natural resources and their more or less active participation in global trade. Their development appears to have accelerated over the last decade, to the point of transforming them from simple recipients of capital

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<sup>1</sup> See A. Lennon & A. Kozlowsky (eds), *Global Powers in the 21st Century. Strategies and Relations*, 456 (MITs Press Books, 2008); J.-C. Jaffrelot (ed.), *The Emerging States: the Wellspring of a New World Order*, 335 (Columbia University Press Books, 2009); S. Santander (ed.), *L'émergence de nouvelles puissances: vers un système multipolaire ?*, 252 (Ellipses, 2009); D. Flesmes, *Regional Leadership in the Global System*, 394 (Ashgate, 2010); N. Godehardt & D. Nabers (eds.), *Regional Powers and Regional Orders*, 272 (Routledge, 2011).

to major exporters, and their trade with both their respective neighbours as well as distant countries of the developing and/or industrialized world now amounts to billions of Euros. This evolution is notably explained by their ability to impose some of their national 'champions'. The number of multinational companies from emerging countries is continually increasing. They are increasingly involved in mergers and acquisitions, becoming formidable groups that represent major competition for the multinationals of the Western world.<sup>2</sup>

This rapid development has helped to consolidate the emerging countries' ambitions for power, and strengthens their desire to seek a more equal share of global power. For although national development contributes to building their power status, the emerging countries are conscious of the essential role of diplomacy on the global stage. They therefore engage in multi-directional diplomacy in order to diversify their political, economic, and trade relations as much as possible. They develop links with countries in both the North and South, investing in regional and/or multilateral bodies. In so doing, they succeed in retaining more or less institutionalized regional zones of influence: China in South-East Asia; Brazil in South America; the Republic of South Africa (RSA) in Southern Africa; and India in Southern Asia. These countries are looking to establish a North/South type of relationship with their respective neighbours, exchanging their high added-value, manufactured products for low added-value, agricultural products. They progressively develop and influence their own geopolitical space. By positioning themselves as key players in their region, emerging countries gain greater visibility and recognition as regional powers.

This policy is completed by the creation of numerous, virtually institutional links with players outside their region, such as the BRICS,<sup>3</sup> the G20+<sup>4</sup> and the India, Brazil, South Africa Dialogue Forum (IBSA<sup>5</sup>). These global bodies bring together countries that, beyond the differences separate them, share the idea that the international political and economic structure in no way reflects the real distribution of international power at the start of the twenty-first century, but strengthens their international visibility and recognition by their peers and the Western powers. These regional fora are also areas where they can assert themselves, competing with the traditional powers and thereby encouraging the gradual emergence of new international balances of power. For instance, some of the triad's countries – who have met annually at the G8 since 1970 – have for a

<sup>2</sup> The Economist, *Multinationales des pays émergents: les nouveaux champions*, Problèmes économiques 2962, 7-12 (7 Jan. 2009).

<sup>3</sup> Political Forum composed of Brazil, Russia, India, China and South Africa.

<sup>4</sup> A group of countries acting together within the WTO talks and opposed to the rich countries' policy of agricultural subsidies.

<sup>5</sup> It is involved in multilateral forums to promote business interests and permanent membership of the UN Security Council of its member countries.

long time assumed the exclusive right to define economic paths and international policy, and even to outline solutions to global financial, economic and political problems. Henceforward, the G8 countries must recognize the growing political, economic and trade role being played on the international stage by a series of players from outside the US-Japanese-European framework.

The intensive diplomatic activity of the emerging powers – together with their increasing international recognition, the confirmation of their economic influence acquired over recent years and the context of the global crisis – have helped to establish the legitimacy of an alternative group to the G8, that of the G20. Although created in 1999, the G20, which brings together wealthy Northern countries and the emerging economies, is emerging as the new club of global powers, notably for defining the rules of international finance. The emerging powers have also succeeded in destabilizing the status quo of the balance of power within certain multilateral institutions, as is seen by the changes in the negotiation process at the WTO. These negotiations were for a long time determined by the ‘Quadrilateral Group’ (Canada, EU, Japan, and US). However, the creation of the IBSA Forum, and its rapprochement with China, led to the creation in 2003 of the G20+ on the eve of the Cancun Ministerial Conference. This organization, which is against any protectionist policies and subsidies in the field of agriculture, particularly by the US and the EU, was able to influence the negotiation process within the WTO. The pressure applied by the G20+ allowed the new powers to effect the replacement of Quadrilateral Group by the G5 group, which brings together players from both North and South (Australia, US, EU, India, and Brazil).

By achieving membership of these informal organizations, the emerging countries have positioned themselves next to the Northern countries and defined at the highest political level the challenges for global politics. As a result, they anticipate the agenda for multilateral institutions and the gradual shift of global power. They are aware that, in practice, multilateralism allows power relations to be accepted and legitimized. This is the goal of their various foreign policies: to establish or strengthen a position within the power spaces maintained within the multilateral institutions. South Africa, Brazil, and India develop South/South cooperation and/or associate themselves with Germany or Japan to claim a permanent seat on the UN Security Council. They manage to increase voting power within the organization’s decision-making bodies such as the IMF<sup>6</sup> or demand to participate in *high politics*, as shown by the dramatic entrance of Brazil and Turkey onto the international stage when discussing Iranian nuclear activities. Sitting as non-permanent members of the UN Security Council, these two

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<sup>6</sup> M. Hujer & Ch. Reiermann, *Showdown in Washington: Emerging Nations Vie for Power at IMF*, Spiegel Online (18 Apr. 2012).

countries have benefitted from their position to propose a negotiated agreement with Tehran in the UN, on the eve of the adoption of new sanctions against Iran in May 2010. Their proposal was for a part of Iranian uranium to be stocked overseas, in exchange for enriched fuel aimed specifically at civilian use.<sup>7</sup> These countries thus claimed a place in the negotiations led by the so-called 5+1<sup>8</sup> group, which has a UN mandate to discuss the Iranian nuclear question. The message sent by this Turkish-Brazilian initiative was that the conduct of international affairs, including those related to security, can no longer take place without a stronger representation of the emerging powers. The same message could be seen in the Sino-Russian opposition, and the abstention by Brazil, India, and South Africa, to the resolution to condemn repression in Syria, proposed in the UN Security Council in October 2011 by the Western powers.

### 3 THE EU-28 IN THE NEW EMERGING WORLD ORDER

#### 3.1 THE EU AS ONE OF THE MAJOR POWER ON THE INTERNATIONAL STAGE

Faced with this scenario of a new and emerging international order featuring numerous new centres of power, some believe that the EU and its Member States have their rightful place,<sup>9</sup> especially as they have enormous resources, which serve as a sort of counter-balance to the influence of the emerging powers in the global economy and global trade. The EU-28 has a single currency that has achieved global standing in only ten or so years. The Euro is outpaced only by the dollar for commercial transactions and the composition of foreign exchange reserves held by the world's central banks.<sup>10</sup> The EU has considerable influence in international exchanges. With over fifty years' experience of economic integration, it has succeeded in becoming one of the world's major trading powers. The EU accounts for 20% of the total volume of global imports and exports – compared to 15% for the US, 9.9% for China, 7% for Japan, 2% for Russia, 1.65% for India and 1.25% for Brazil – making it the biggest exporting and importing organization in the international economic system, in the fields of both goods and services.<sup>11</sup> As the leading global trader in goods and services, the EU represents the main trade

<sup>7</sup> M. Aguirre, *Brazil-Turkey and Iran: a new global balance*, Open Democracy, (2 Jun. 2010).

<sup>8</sup> China, US, UK, France, Russia + Germany.

<sup>9</sup> M. Foucher, *Europe, Europes*, La Documentation française, 8074 (2010); N. Nugent, *The government and politics of the European Union*, (7th ed., Palgrave/Macmillan, 2010); B. Grésillon, *Économie: diversité et puissance*, La Documentation française, 8074 (2010).

<sup>10</sup> European Commission, *The EU in the World. The Foreign Policy of the European Union*, Directorate-General for Communication, 19 (Brussels, 2007).

<sup>11</sup> MDEIE, *Note sur l'économie et le commerce en Russie*, Gouvernement du Québec, (31 May 2010); MDEIE, *Note sur l'économie et le commerce en Inde*, Gouvernement du Québec, (22 Nov. 2010); MDEIE, *Note sur l'économie et le commerce au Brésil*, Gouvernement du Québec, (16 Jun. 2011).



opportunity for over 130 countries in the world.<sup>12</sup> Numerous European companies are among the world's leaders. They are leaders in a range of activities with high added-value (energy, finance, banking, insurance, cars, electronics, chemicals, pharmaceuticals, mass distribution), ensuring that the European economy is powerful and diversified.<sup>13</sup> Furthermore, the EU has a Gross Domestic Product (GDP) of EUR 13,000 billion and represents 24% of global wealth, compared to 21% for the US, 9.5% for China, 9% for Japan, 3% for Brazil, and about 2.5% for India and Russia; this makes it a prominent economic entity on the international economic stage, leaving aside the fact that with its Member States it provides 55% of all global aid and 55% of humanitarian aid.<sup>14</sup>

This observation leads some to see the EU as a player at the heart of the changes in global balances and as one of the pillars of the restructuring of the international stage into a multipolar order.<sup>15</sup> In this view of the world, the EU-28 appears, alongside the US and China, as one of the top three geopolitical powers of the twenty-first century, overtaking countries like Russia, whose strength is declining demographically and industrially and whose economy depends excessively on its energy resources; or India, a country seen as being considerably behind in its development and strategic ambitions when compared to China. The world is today organizing itself progressively around the US, China, and the EU. Each of these players sets its own rules that it aims to impose on others. In a globalized world, these three powers will compete with one another to acquire new markets and none will hesitate to occupy the other's backyard.

According to those who believe in this approach, Europe has a major advantage in this competitive environment, i.e., its model for regional governance, which is becoming an ethical, social, and environmental reference for the whole world.<sup>16</sup> Its 'post-nation-State regionalism'<sup>17</sup> should bring peace and stability as well as a social market economy capable of creating a serious alternative to both American capitalism and a command economy. It is also becoming a reference for other regionally integrated blocks, like Mercosur, Asean, and the African Union.

To ensure its place in the world, Europe can also rely on the important diplomatic experience of its Member States and the EU, and its considerable

<sup>12</sup> O. Cattaneo, *Quelles ambitions pour la politique commerciale de l'Union européenne?*, 39 *Les notes de l'I.F.R.I.* 98, 12 (2002).

<sup>13</sup> Grésillon, *supra* n. 9.

<sup>14</sup> European Commission, *supra* n. 10; MDEIE, *supra* n. 11.

<sup>15</sup> P. Khanna, *The Second World: Empires and Influence in the New Global Order*, 496 (Random House, 2008).

<sup>16</sup> M. Leonard, *Why Europe Will Run the 21st Century*, 264 (Fourth Estate, 2005); J. Rifkin, *The European Dream*, 448 (Tarcher, 2004); M. Telò, *Europe: A Civilian Power? European Union, Global Governance, World Order*, 291 (Palgrave Macmillan, 2006); S. Martens, *La chute du mur de Berlin, l'Europe en questions vingt ans après*, *Questions internationales* 38 (2009).

<sup>17</sup> P. Khanna, *Europe: the Next Twenty Years*, communication presented at the Conference on 20 years after Treaty, (Maastricht University, 8 Feb. 2012).

defence resources; in terms of global military power, it stands just behind the US.<sup>18</sup> European investment in defence represents more than 20% of global defence expenditure, compared to 5% for China, 3% for Russia, 2% for India and 1.5% for Brazil. There are equal numbers of US and European troops stationed outside Europe. This leads some observers to claim that Europe, with its multidimensional power, has clearly become, alongside the US, the ‘second super-power’ in a bipolar world.<sup>19</sup>

### 3.2 TOWARDS THE END OF THE EUROPEAN HISTORY

This scenario of a ‘European super-power’ that is able to influence international governance is far from being unanimously accepted. A significant share of scientific literature proposes a portrait of the EU-28 that is diametrically opposed to this. Indeed, some believe that it is being progressively outclassed by the emerging powers: they say it is not Europe but the latter who are driving global growth upwards and are positioning themselves as both contributors to the convalescence of the capitalist system and as the West’s creditors. For some then, after the dominance Europe exercised over the world for several centuries, Europe’s position is weakening due to its demographic, economic, and military decline.<sup>20</sup> This situation creates a feeling of self-confidence in the emerging countries, which may sometimes appear to be excessive and even unwise, given that some of these countries see themselves as industrialized and see Europe as representing the past, to be preserved in a history museum. They accordingly see themselves as embodying the future of the world.<sup>21</sup>

A multitude of pessimistic diagnoses and prognoses coming from the political and academic worlds or the media about the construction of Europe and its future development have resulted in the development of and support for theories that ‘Europe is in decline’.<sup>22</sup> These information sources, rooted in Europe’s difficulties

<sup>18</sup> Nugent, *supra* n. 9, at 376–377; H. Kundhani & M. Leonard, *Think again: European decline*, European Council on Foreign Relations, (29 Apr. 2013).

<sup>19</sup> A. Moravcsik, *Europe: Rising Superpower in a Bipolar World*, in *Rising States, Rising Institutions*, 151–174 (A. S. Alexandroff & A. F. Cooper eds, Brookings Institution Press, 2010).

<sup>20</sup> R. Chaouad, *Les fins possibles de l’Europe*, *La Revue internationale et stratégique* 80, 130 and *sq.* (2010); J.-Y. Haine, *Comprendre la paralysie européenne*, *Revue Défense Nationale* 1, 105 and *sq.* (April 2011).

<sup>21</sup> For example, this assumption is held by Professor Paulo Gilberto Fagundes Visentini, a close advisor to the Brazilian government since the Labor Party came to power. Cf. P. G. Fagundes Visentini, *Brazil, South Atlantic and Africa: prestige, solidarity, geopolitics or ‘soft imperialism’?*, communication presented at the Conference on Communautés transatlantiques, (IEIM-UQAM, Montreal, 4 Nov. 2011).

<sup>22</sup> Cf. the interview with J. Delors, *L’Europe est au bord du gouffre*, *Le Soir* and *Le Temps*, 18 Aug. 2011; B. Accoyer, *Un homme peut-il dire toute la vérité?* (HC Lattès, 2011); J. Fischer, *Europe 2030: Global Power or Hamster on a Wheel?*, in *Europe 2030* (ed. D. Benjamin, Brookings Institution Press, 2010); *L’Europe dans 50 ans*, *Europe’s World*, 7 (2007); B. S. Thornton, *Decline and Fall: Europe’s Slow Motion Suicide* (Encounter Books, 2007); W. Laqueur, *The Last Days of Europe: Epitaph for an Old Continent*

over the past few years, notably highlight Europe's institutional setbacks following the rejection of the Constitutional Treaty in 2005, confusion over the free movement of people and the resurgence of a desire to re-establish some border controls in the Schengen area, the rise of national retrenchment, worries about European solidarity, the sovereign debt crisis in the Eurozone and economic governance of the EU,<sup>23</sup> together with the parallel development of emerging countries. Taken together, these trends all play a role in the downgrading or global marginalization of Europe.<sup>24</sup> Some people even believe that the idea of Europe falling apart is no longer beyond the realms of possibility, believing that the (increasingly likely) end of the single currency will sound the death knell of the EU.<sup>25</sup> That is why those who hold this viewpoint imagine that the world may well be built in places other than Europe.

This assumption about the end of the European history has already been defended by experts in international relations, but in a different political context, dating from the international geopolitical upheavals resulting from the fall of the Soviet bloc and the disappearance of the bipolar world. The theorists inspired by realism interpreted the end of the Cold War as the trigger for a period of international instability, which would first affect the European Community. In their view, the end of the Soviet threat meant that European integration was losing of one of the key vectors for its cohesion throughout the Cold War. They also saw in the breakdown of the USSR the start of the US' indifference towards the protection of Europe and the Atlantic Alliance. They therefore predicted the end of European construction.<sup>26</sup>

Yet the reality of Europe after the Cold War is completely different. The EU has expanded four times, adding sixteen new Member States. Meanwhile others waited their turn, demonstrating the attraction of the Union on its neighbours. It also saw an extension and an unprecedented deepening of its architecture, particularly following the adoption of new, common institutions and strategies. Moreover, it developed and consolidated its role and its presence in international relations. From this, historians maintain that it is possible to draw two lessons when

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(St. Martin's Griffin Books, 2009); *The Decline and Fall of Europe*, Time, 178 (7 Aug. 2011); J. Bowyer, *The End of Europe: A Civilization Built on Sand*, Forbes (22 Jun. 2011).

<sup>23</sup> D. C. Bach, *Organisations régionales et régionalisation: crise en Europe, essor au-delà*, in *Nouveaux acteurs, nouvelle donne. L'état du monde 2012*, 29-38 (ed. B. Badie & D. Vidal, La découverte, 2011); Chaouad, *supra* n. 20, at 127-137; La documentation française, *L'Europe en zone de turbulence*, Questions internationales 45 (2010).

<sup>24</sup> R. Haas, *Goodbye to Europe as a High-Ranking Power*, Financial Times (13 May 2010); E. Le Boucher, *L'Europe sous cloche*, Les Echos, 15 Jan. 2010; T. Struye, *The EU and Emerging Powers*, communication presented at the Conference on The EU and Emerging Powers (European Parliament, 30 Apr. 2013).

<sup>25</sup> Chaouad, *supra* n. 20, at 127-137.

<sup>26</sup> J. Mearsheimer, *Back to the Future: Instability in Europe after the Cold War*, 15 Intl. Sec. 2, 194-199 (1990); K. Waltz, *The New World Order*, Millennium 22, 187-195 (1993).

looking back on Europe's construction. First, the economic, political crisis and the crisis of confidence faced by the EU today are not new. Similar crises have occurred several times in the past, such as after the failure of the European Defence Community (1954), the episode of the 'empty chair' (1965–1966), the period of so-called Eurosclerosis (1973–1985), and the difficult ratification of the Maastricht Treaty (1992). Second, after the crises in the construction of Europe, there were periods of revival.<sup>27</sup> This was reflected in Jean Monnet's remark that 'Europe will be forged in crises and will be the sum of the solutions adopted for those crises.'<sup>28</sup>

The unprecedented revival of European regionalism is a sharp rebuttal of the realists' forecasts, leading the proponents of this approach to study closely the process of European integration and examine in particular the true ability of the EU to become an autonomous player on the international stage. The conclusions of these studies are generally irrefutable, confirming the EU's inability to speak with one voice and to act effectively and together, notably in times of crisis. To support this position, the conclusions refer to the Community's failure to act during the armed conflicts in ex-Yugoslavia, the inability of Europe to influence the Israeli–Palestinian peace process and the divisions in Europe resulting from the US war of occupation of Iraq launched in 2003.<sup>29</sup> These studies begin with the idea that strategic challenges are fundamental in international relations and that only nation States are able to have any influence on the world's politico-strategic affairs.

#### 4 THE EU: AN INTERNATIONAL PLAYER STILL IN THE MAKING

It may be an exaggeration to say that the EU is an entity incapable of wielding any influence, but it still cannot be called a superpower. The EU certainly has a series of specific advantages related to power (economy, trade, technology, demography, culture, currency) and a range of policies that cover the most important aspects of modern international politics, including the military and strategic aspects.<sup>30</sup> These benefits undoubtedly allow it to play a global role and exert some influence.

<sup>27</sup> P. Lagrou, *La 'crise européenne'*, in *L'Union européenne: la fin d'une crise ?*, 15–24 (ed. P. Magnette & A. Weyembergh Éditions de l'Université de Bruxelles, 2008); G. Grin, *Les crises de la construction européenne: mythes et réalités*, Fondation Pierre du Bois 4 (March 2011).

<sup>28</sup> J. Monnet, *Mémoires*, 488 (Fayard, Paris, 1976).

<sup>29</sup> J. Zielonka, *Explaining Euro-Paralysis: Why Europe Is Unable to Act in International Politics*, 280 (Palgrave, 1998); E. Remacle & B. Delcourt, *La PESC à l'épreuve du conflit yougoslave. Acteurs, représentations, enseignements*, in *La PESC, ouvrir l'Europe au monde*, 227–272 (ed. M.F. Durand & A. de Vasconcelos, Presses de Sciences Po, 1998); Ch. Hill, *Renationalizing or Regrouping? EU Foreign Policy since 11 September 2001*, 42 *J. Com. Mkt. Stud.* 1, 143–163 (2004).

<sup>30</sup> Ch. Bretherton & J. Vogler, *The European Union as a Global Actor*, 273 (Routledge, 2006); F. Petiteville, *La politique internationale de l'Union européenne*, 272 (Sciences Po Les Presses, 2006).

However, a multipolar world implies the existence of several similar yet competing poles be they economic, political or military with comparable characteristics. Given this theoretical construction, the EU can only be seen as a power ‘in the making’, especially as its actions are unevenly implemented in the various fields of global politics. Thus, despite the progress made since the end of the Cold War, the EU’s activities in the areas of defence and security are limited. The EU can undertake missions for humanitarian aid, evacuations and peace-making, or peace-keeping operations outside Europe, but it is still far from being a sovereign body in the political and strategic fields. It is subject to the wishes of its Member States, lacks centralized decision-making and depends on NATO for its security.<sup>31</sup> So numbers alone do not make the EU a *de facto* player on the global stage. Thus the quantitative elements associated with defence, as proposed by those who favour the ‘Europe-superpower’ theory, will remain hypothetical until the EU gets its own foreign policy based on a ‘grand strategy’ – i.e., a common vision of geopolitical challenges and until it can exploit and mobilize its resources effectively. This weakness diminishes the EU’s visibility and external recognition, particularly in the eyes of those with whom it seeks to develop closer relations through ‘strategic partnerships’, which are not making much progress.<sup>32</sup> The sum total of the EU-28’s material capacities is therefore seen by emerging countries more as a statistical abstraction than a geopolitical reality. Consequently, emerging countries prefer to establish bilateral relations with certain ‘heavyweight’ European States (Germany, France, United Kingdom). This is to the detriment of the EU itself, whose political legitimacy is weak compared to its Member States. Unlike these countries, the EU cannot rely on a strong, consensual national identity.

This situation raises a fundamental question – that of the recognition of the EU as an international player. The Union has many of the material criteria associated with power, but lacks the key attributes to be a true player.<sup>33</sup> The EU and its Member States are aware of this weakness and aimed to solve it in part through the adoption of the Lisbon Treaty. This Treaty sought to increase and consolidate the EU’s visibility and international role, allowing it to speak more often with a single voice on the major issues of global politics. The Treaty has thus given the Union a permanent President and a High Representative for Foreign

<sup>31</sup> A. Vulić, *L’Europe sous protectorat en termes de sécurité*, *Questions internationales* 9, 66–74 (2004).

<sup>32</sup> L. Fioramonti & A. Poletti, *Facing the Giant: Southern perspectives on the European Union*, 29 *Third World Q.* 1, 167–180 (2008); S. Keukeleire & H. Bruyninckx, *The European Union, the BRICs, and the Emerging New World Order*, in *International Relations and the European Union*, 2nd ed., 380–403 (Ch. Hill & M. Smith eds, Oxford University Press, 2011); S. Santander, *Puissances émergentes: un défi pour l’Europe?*, 381 (*Ellipses*, 2012); T. Renard & S. Biscop, *The European Union and Emerging Powers in the 21st Century*, 226 (*Ashgate*, 2012).

<sup>33</sup> The criteria for the player are coherence (the ability to define objectives, strategies for achieving them and the means to implement them), autonomy (compared to other players) and authority (international recognition); M. Merle, *Sociologie des relations internationales*, 560 (*Dalloz*, 1988).

Affairs and Security Policy. The latter is seconded by the European External Action Service (EEAS), which is a kind of embryonic ministry for foreign affairs whose objective is to improve the impact, the coherence and the effectiveness of the Union's external activities. However, decisions continue to be taken unanimously and these institutional European players have no say in national foreign policies. This was clearly seen during the 2010–2011 events in Libya, when the rest of the world saw a divided Europe, incapable of speaking with a single voice on a question of international security,<sup>34</sup> even if, afterwards, the EU and its Member States sought to work together by adopting a range of actions, including significant humanitarian assistance valued at EUR 156.5 million, of which EUR 80.5 million came from the Union's budget.<sup>35</sup>

The above highlights how the European player tends to call on civil means to increase its international influence. It plays a role through emergency aid, food aid, and support for local non-governmental organizations in developing countries or through the preferential access system to the European market.<sup>36</sup> The EU's international activity is also exercised through the networks that it creates with other regional countries and groups, as well as through its external trade policy, one of its exclusive competences. In reality, the EU's trade policy is one of the principal channels for projecting itself on the global stage. It also has a range of trade policy means, among them bilateralism, interregionalism, and multilateralism, and sometimes even unilateralism when imposing trade sanctions on a third country. It's the EU's influence on international trade, and its ability to speak and act as a single entity when in discussion with third parties or in a multilateral framework, justify its recognition as a global trading power.

The many trade agreements that the EU concludes may take different forms, based on the development of trade liberalization and the number of non-trading aspects that may be involved. The most ambitious of these are certainly the association agreements, which incorporate the notions of a free trade area, economic and technical cooperation, EU financial aid, political dialogue and, in some cases, the possibility for the associated country to become a member of the EU. This instrument therefore permits the Union to prepare for future new members. The enlargement policy has been shown to be an important tool in terms of the EU's international influence, especially as the Union exercises a

<sup>34</sup> A. Favalli, *L'Union européenne absente de la crise libyenne*, EurActiv.fr, 18 Mar. 2011; D. Vernet, *La crise libyenne a détruit la diplomatie européenne*, Slate.fr, 19 Mar. 2011.

<sup>35</sup> The increase in aid was accompanied by an arms embargo on Libya, a restriction on the freedom of movement of Gaddafi regime dignitaries and the freezing of their financial assets; O. Jacquemet, *Quelle réponse européenne à la crise libyenne?*, Isis Europe Blog, 24 Aug. 2011; EEAS, *Le soutien de l'UE à la Libye*, European External Action Service, (27 Oct. 2011).

<sup>36</sup> The generalized system of preferences (GSP) is gradually being abandoned by the EU in its exchanges with developing countries, on the grounds that the EU must conform to WTO rules.

genuine power of attraction externally; the EU exports its rules and standards, it asserts its political and economic choices, and succeeds in playing a stabilizing role for its direct neighbours. It is true then that the EU has a means to projecting its influence, a means that the US, China, India, or Japan cannot call upon.<sup>37</sup> Yet it should be noted that the Union risks being the victim of its success, which will inevitably affect the development of its power. For example, the latest enlargements have shown that the EU has reached the limits of its ability to absorb or offer institutional integration. Nevertheless, other access processes are being prepared,<sup>38</sup> which will likely lead to the EU facing one of its biggest challenges: the definition of its borders. Europe's continual enlargement heightens the risk of turning Europe into an increasingly loose area, thus affecting the project to create a European power.

The EU is well aware of the attraction exerted by its internal market on the rest of the world, so it makes use of this market when talking to the world. The Union therefore negotiates access to its market, in exchange for the protection of intellectual property, access to public procurement, the liberalization of investment and services, legal certainty for European companies, and the acceptance of industrial and trading standards.<sup>39</sup> The EU succeeds in imposing its ambitious agenda through multiple agreements, which it concludes with countries in Latin America, Asia, and the ACP (Africa, Caribbean and Pacific Group of States). The EU plays a leading role in the development of global competition and its regulation, with the help of the Commission: this encourages the promotion of the liberal economic policies that govern the European internal market. This role also aims to legitimize the need to integrate all the world's countries into a single global market. In following this course, the EU has supported China's accession to the WTO, which was finally achieved in line with Western economic and trading rules.

The EU is therefore capable of influencing its environment and partially shaping it according to its vision of the world. To achieve this, it also uses development aid. However, the Union must now take into account the arrival of the emerging powers in the international system for development funding. This new system allows developing countries to reduce their dependence on their traditional donors such as the EU. Moreover, the emerging powers now enjoy even greater advantages from donors, compared to the traditional donors, since this

<sup>37</sup> Moravcsik, *supra* n. 19, at 159.

<sup>38</sup> Turkey, Macedonia, Iceland, Montenegro, and Serbia are recognized candidates for membership. Three other countries (Albania, Bosnia and Herzegovina, and Kosovo) are seen as potential candidates for the EU, see European Commission, *Enlargement*, <<http://ec.europa.eu>> (accessed 25 Mar. 2013).

<sup>39</sup> S. Santander, *Le régionalisme sud-américain, l'Union européenne et les Etats-Unis*, 280 (Editions de l'Université de Bruxelles, 2008).

aid is not accompanied by political conditions. This new situation poses a major challenge for the EU, which uses development aid not only to ensure its economic presence in the developing world, but also to build its international identity by asserting its political preferences in relation to the respect for democracy, human rights, the fight against corruption, and the promotion of supranational regionalism.

The emerging powers are also shaking up the multilateral forces, as viewed by the EU. The EU's proactive engagement in the WTO and its encouragement of multilateral negotiations on climate change both demonstrate its strategic interest in multilateralism. The Union's institutions identify with multilateralism, because they see it as a collection of peaceful mechanisms for the management and control of international affairs as well as a safeguard against unilateralism's temptations. They therefore use multilateralism to generate a certain amount of international influence. However, the Union must increasingly take into account the presence and influential role of emerging powers, particularly in multilateral discussions on trade and the environment. Anxious to move from being *rule takers* to *rule makers*, these players take a seat in the multilateral organizations, participating actively in international talks and ensuring that their respective positions are now heard and taken into consideration in international agreements and treaties.

In the international negotiations on climate change, there is now a shift in the balance of power between the EU and the emerging powers; this shift is more in favour of the latter. Even though it's the EU's priority is to maintain its economic competitiveness, it has sought for some years to play a leading role in the preparation and follow-up of these international debates, as well as in defining the profile of multilateral commitments to fight global warming. Its work has resulted in ensuring that the main producers of greenhouse gases (China and the US) sit around the negotiating table, together with the emerging powers. Yet European leadership on climate is being increasingly challenged by China, Brazil, India, and South Africa, because these countries, now joined by the US, oppose European proposals to adopt restrictive measures for the reduction of greenhouse gases. As the emerging powers consolidate and come together (e.g., IBSA) for trade talks, the EU finds itself under greater pressure to abandon its subsidies for the production and export of agricultural products. The Union is now aware that it can no longer dictate negotiation terms (especially when it negotiates alongside the US), and that it must make concessions on agriculture if it wishes to reach agreements in the fields of industry and services. After applying pressure, the IBSA also obtained access to generic medicines, even though the EU and the US, together with their pharmaceutical industries, had initially opposed this. Nonetheless, the interaction between the emerging powers and the Union



negotiators does have a benefit, leading to increasing recognition of the EU as an international player.

In addition, the EU and its Member States are important contributors to the various budgets of the multilateral institutions.<sup>40</sup> While this should theoretically lead to greater international visibility for the EU, its work in multilateral organizations is still limited. In some of these institutions (e.g., the WTO), the EU plays a central role and is considered a key player. Yet it plays a limited role elsewhere because some institutions, such as the IMF, only recognize nation States. In the meantime, the emerging countries are benefitting by building up currency reserves, thus increasing their economic strength and gaining further influence in these organizations. This means they can increase their voting rights. For example, a country like China – whose voting share has risen from 3.65% to 6.19% – has been able to obtain a greater decision-making power than Germany, France, and the UK. India and Brazil have seen their voting rights increase from 1.9% to 2.6% and from 1.4% to 2.2% respectively. The emerging countries are in fact seeking to exploit the European crisis. In exchange for injecting fresh capital from the IMF into the European economies, they are demanding a new reform of this multilateral institution, thereby leading to further increases in their respective voting rights. They are also calling for their political role to be adjusted to reflect their economic importance. But despite their desire to have greater influence in international organizations and their wish to see these organizations more accurately reflect the distribution of global power, the emerging countries have not succeeded (yet) in breaking the tradition whereby the IMF is run by someone from Europe and the World Bank is run by someone from the US. Moreover, the emerging countries seem incapable of nominating a mutually acceptable candidate.

EU representation in the UN is under discussion. In May 2011, the Union won observer status there, allowing its representatives to address the General Assembly, distribute papers addressed to other members, present proposals and amendments agreed by the EU Member States and to exercise the right of reply.<sup>41</sup> The EU is the only regional organization that has enhanced representation at the UN. In so doing, the EU acquired greater visibility, which may help to increase its international recognition; however, this is a long-term process. Recognition of this kind could even be somewhat hampered, due to the fact that the Union has no voting rights and cannot present candidates for UN positions; nor can it be a contributor to resolutions or decisions.

<sup>40</sup> For example, the WTO gets 42% of its budget from the EU and its Member States, the UN 40%, the UNDP 44%, and the UN Peacebuilding Fund (PBF) 80%.

<sup>41</sup> United Nations, *Participation of the European Union in the work of the United Nations*, Resolution adopted by the General Assembly, A/RES/65/276, (10 May 2011).

During its efforts to obtain observer status at the UN, the EU gained the support of various emerging powers, such as Mexico and Brazil, with whom it was linked through the 'strategic partnerships' concluded in 2008 and 2007 respectively. It is difficult to establish a cause-and-effect relationship between these strategic partnerships and the success of the European application. However, since the second half of the 2000's, the EU has engaged in a policy to conclude this type of partnership with emerging powers. These partnerships should bring economic advantages for European multinationals, contribute to the EU's international recognition and show that it can also adapt to changing international circumstances and react to a world marked by the birth of new powers.

Nevertheless, these partnerships often include too broad objectives, and do not define clearly why they are strategic. This new pattern of 'strategic partnerships' is in competition with the EU's traditional, interregional strategy. The EU has always sought to encourage regionalism in the world. It has promoted joint strategies and institutions as well as the creation of supranational frameworks, before finalizing interregional association agreements. With its financial, technical, and institutional support, the EU has been able to play an external, federating role for international regionalism, with the result that centripetal forces are strengthened.<sup>42</sup> Besides seeking economic and trade benefits, the EU hopes to obtain political advantages. It wants to export its model for regional governance and consolidate its visibility and legitimacy as an international player. However, the selective bilateralism that it employs in its relations with the emerging powers that belong to regional groups appears to be at odds with its traditional strategy of exporting its own regional model. The bilateral approach is also in the process of creating breaks and rivalry within these regional groups that the EU has always supported. This raises questions about the coherence of the EU's external actions.

## 5 CONCLUSIONS

The rise of emerging countries contributes to a gradual shift in global economic and political power. However, although the EU's power is still in the making, that of the emerging countries remains relative. In other words, we should not magnify their power, because they face major internal challenges, which reflect their weaknesses. Some of them must deal with huge demographic and social problems; others are hampered by a significant lack of infrastructure; a number of them are engaged in deindustrialization and their economic development is increasingly tied to their oil resources. Furthermore, they have chosen to be a part of globalization,

<sup>42</sup> S. Santander, *EU-Mercosur Interregionalism: Facing Up to the South American Crisis and the Emerging Free Trade Area of the Americas*, 7 *Eur. For. Affairs Rev.* 4, 491-505 (2002).

a trend that drives the world's nations and their economies to open themselves up more and which creates growing interdependency among nations. Globalization reduces the efficiency of national economic policies. Thanks to financial deregulation over the past forty years, the world's financial community can continuously evaluate and predict decisions taken by the public authorities. As a result, this community has become a powerful and anonymous counter-balance. Furthermore, countries find it harder and harder to control the financial system, because liberalization, together with the development of new technologies, has given rise to hundreds of thousands of individual investors. These financial developments can result in increased instability, marked by recurring stock market and currency crises, as seen in the current European crisis. Those emerging powers increasingly reliant on having a presence in the global market for their own national development are not protected from the potential setbacks of globalization. A growing dependency on the outside world inevitably hinders the power of any State or supranational player. The emerging countries see their power as being limited by globalization and trans-national forces. Their growth and development are increasingly linked to the rest of the world. They depend on the good health of the Dollar and Euro, on the stability of the European and the American markets and on raw materials from Africa, Latin America, and the Middle East. The emerging powers have little control over Europe's crisis or economic difficulties in the US. This example simply reflects the limits and vulnerability of a public authority's power – whether or not it is based in an emerging country – in the face of globalization.

The global crisis has certainly affected the EU's international influence and image. Some pundits in Europe and the emerging countries have been talking again about the end of European history. In the early 1990s, some believed that the end of the bipolar system would bring an end to the European integration project. Yet the opposite happened, with European regionalism being revived, enlarged, and consolidated. Additionally, the EU still has a few power trump cards (economy, trade, technology, culture, currency) and a range of policies that cover the most important aspects of modern international politics, including the military and strategic aspects. These advantages allow it to play a global role and exert some international influence. Although it may be an exaggeration to talk about European history coming to an end, several major questions remain open when discussing the EU: Does it have the capacity to envision its future? Does it have a political project? Does it have a 'grand strategy' with which to play a proactive role in a rapidly changing world? All these questions, which have yet to be answered, raise further questions related to European identity and the borders of Europe.

Finally, what conclusions can be drawn already about the EU's future relations with the emerging countries and in particular about the so-called strategic

partnerships negotiated by the Union with these new international actors? This article has shown that those relations face major challenges. For instance, strategic partnerships' agendas are far too broad and too ambitious. This situation may reflect a deeper problem: the inability of the parties to find a solid common ground. Yet the actors are divided on several issues (trade, climate issues, and solutions to the global crisis). Bilateral relations between the EU and emerging countries have yet to take off. The question then is whether these partnerships are really strategic? Additionally, these relations are challenged by the contradictions inherent in the strategies of the different actors, not least those of the EU. On the one hand, the EU is developing strategic partnerships with emerging countries. But on the other hand, its Member States (France, UK, Italy, Portugal, Spain, and Sweden) are also developing individual strategic partnerships with India, Brazil, China, Russia, and South Africa. This somewhat confusing European approach inevitably affects the EU's image in the emerging countries. Moreover, EU authorities say they are not always kept informed of individual strategic partnerships concluded by the Member States with emerging countries. This lack of communication within Europe harms the credibility of the EU as an international actor.

Last but not least, EU's external strategy faces an increasing lack of coherence. For more than twenty years, the EU has supported regional blocs and prioritized group-to-group relations. Interregionalism has helped the EU to boost its international visibility and recognition. Today, the EU is developing selective bilateralism with emerging countries, which are members of these regional blocs. In some cases then, the push for bilateralism has destabilized regionalism and hence the image of the EU. The thorny question now facing the EU is how to ensure that its interregional strategy and its strategy towards rising powers are complementary rather than competitive.

## The EU in high politics

- Daniel Fiott, " Introduction ", in Daniel Fiott, *The CSDP in 2020 : The EU's legacy and ambition in security and defence*, European Union Institute for Security Studies, 2020, pp. 6-13

# Introduction

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DANIEL FIOTT

**20** years ago, on 10–11 December 1999, European leaders met in Helsinki to sketch out the capabilities and institutions they thought were needed for the CSDP that they had launched six months earlier at the Cologne European Council. The 1999 Helsinki meeting underlined European leaders’ ‘determination to develop an autonomous capacity to take decisions and, where NATO as a whole is not engaged, to launch and conduct EU-led military operations in response to international crises’.<sup>1</sup> More specifically, the European Council decided that the EU’s level of ambition on defence should be set at an ability to deploy up to 50,000–60,000 personnel within 60 days, and to sustain this deployment for up to a year, by 2003. By the time the Nice European Council convened in December 2000, key CSDP institutions<sup>2</sup> were formally established and in 2003 the EU started to undertake missions and operations, as well as operationalising the EU Battlegroups by 2004. To this day, however, the ambition set at Helsinki (the ‘Headline Goal’) has never been fulfilled – even though it remains a target that has not been altered or lowered by European leaders.

Of course, in 2020, similar questions about the EU’s level of ambition for security and defence dominate deliberations about the CSDP. Under the Croatian Presidency of the Council of the EU in 2020, leaders and ministers are still debating how to ensure that the Union can deploy military and civilian assets as part of the Common Foreign and Security Policy (CFSP), and how the CSDP can facilitate greater EU strategic autonomy in security and defence. Since the publication of the EU Global Strategy, a raft of new structures and capacities

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1 European Council, “Presidency Conclusions: Helsinki European Council”, December 10–11, 1999, [http://www.europarl.europa.eu/enlargement\\_new/europeanCouncil/pdf/hel\\_en.pdf](http://www.europarl.europa.eu/enlargement_new/europeanCouncil/pdf/hel_en.pdf).

2 The Nice European Council formally established the Political and Security Committee (PSC), the EU Military Committee (EUMC) and the EU Military Staff (EUMS) but leaders had already called for their creation at the Cologne European Council in June 1999.

has been put in place. On the one hand, Permanent Structured Cooperation (PESCO), the Coordinated Annual Review on Defence (CARD) and the European Defence Fund (EDF) are designed to enhance capability development and the coordination of national defence planning. On the other, the Military Planning and Conduct Capability (MPCC) provides for more streamlined command and control for CSDP military missions and operations, whereas the Civilian CSDP Compact binds member states to a set of commitments that are designed to improve the responsiveness of the EU's civilian capacities. Despite the introduction of these ambitious initiatives since 2016, however, there have been recurrent debates since then about whether the EU is an autonomous security and defence actor or not. In fact, even a cursory look back over the past 20 years can lead us to question whether the EU has in fact become more capable and more responsible in this domain. Answering this question depends on how we benchmark 'success' in relation to CSDP – whether it is evaluated as a tool for crisis management or as an instrument for power.

For some, the Union has already emerged as a credible and effective crisis manager.<sup>3</sup> Since its first deployment to Bosnia and Herzegovina in 2003,<sup>4</sup> the Union has gone on to launch 34 missions and operations<sup>5</sup> to 21 different countries and regions. Accordingly, the Union has deployed force and civilian expertise using its own autonomous decision-making bodies and its own resources. As a result, CSDP has led to tangible differences in the countries and regions where missions and operations have been deployed. While we must recognise that there is no exact science to measuring the tangible effects of the CSDP, we can point to instances where the EU's fusion of civilian and military tools have positively contributed to security. Take, for example, the Union's efforts in the Horn of Africa, where the combination of an anti-piracy naval operation and civilian capacity-building and military training missions have led to the re-opening of commercial shipping lines and food aid deliveries in the Indian Ocean. In this regard, since 2009, EU naval action has led to the protection of some 485 World Food Programme (WFP) and 140 African Union Mission in Somalia (AMISOM) vessels, in turn resulting in the safe delivery of

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3 See, for example, Thierry Tardy, "CSDP in Action: What Contribution to International Security?", *EUISS Chaillot Paper* no. 134, May 2015.

4 EU Police Mission Bosnia and Herzegovina was deployed on 1 January 2003 and it was the first mission conducted under the European Security and Defence Policy.

5 This number excludes the EU's Border Assistance Mission to Moldova and Ukraine, as this mission is not managed by CSDP structures.

1,890,612 metric tonnes of food by the WFP to Somalia.<sup>6</sup> This comprehensive approach to security and defence – fusing civil and military tools – is a hallmark of the Union's strategy against instability.

**There are far fewer military CSDP missions and operations today than at the inception of the CSDP.**

This ability has only been possible because of successive evolutions in the EU's institutional architecture since 1999 and the pooling of member state capabilities, personnel and resources. Having already established the post of High Representative for the CFSP under the 1999 Treaty of Amsterdam, the Cologne European Council in the same year developed the 'Berlin Plus arrangements', which were designed to give the EU access to NATO assets and capabilities under specific conditions. What is more, in Cologne leaders recognised the need for the creation of politico-military bodies like the Political and Security Committee (PSC), EU Military Committee (EUMC) and EU Military Staff (EUMS), as well as underlining the importance of pre-existing agencies, such as the EU Satellite Centre (SatCen) and the EU Institute for Security Studies (EUISS). The first EU military Headline Goal was set at Helsinki in 1999, and the European Security and Defence Policy (ESDP) was declared operational in 2001 during the Laeken European Council. However, the Headline Goal was quickly revised at the Brussels European Council in 2004, which included further work on the creation of EU Battlegroups<sup>7</sup> and a call to ensure their full operational readiness by 2007. This aspiration was bolstered by the positive experiences of having deployed the EU's largest military operation in December 2004 – EUFOR *Althea* saw some 7,000 troops deployed to Bosnia and Herzegovina to ensure compliance with the Dayton/Paris Agreement.

Developments in civilian CSDP have also contributed to the Union's autonomy in security and defence. In 2000, the Union set its first Civilian Headline Goal at the Feira European Council in Portugal: the goal stipulated that the EU should be able to deploy 5,000 police officers within 30 days – 1,000 of these officers would need to be on high readiness. The Gothenburg European Council in 2001 built on Feira by stating that by 2003 the Union should also be able to deploy 200 judges and prosecutors and up to 2,000 civil protection personnel

6 EUNAVFOR Atalanta, "Key Facts and Figures", <https://eunavfor.eu/>.

7 EU Battlegroups are rapidly deployable forces of approximately 1,500 troops that are placed on a six-month rotational standby.



at very short notice. Having largely met these targets by 2004, new Civilian Headline Goals were respectively set for 2008 and 2010 that called for additional experts on dialogue, conflict analysis, civil response and transnational dialogue. The EU's readiness in civilian terms was underlined in February 2008 with the deployment of EULEX Kosovo, the Union's largest civilian mission to date, which has overseen capability building for the rule of law and the training of police, judges, customs officials and civil administrators.

Despite these developments, however, it is important to recognise that there are far fewer military CSDP missions and operations today than at the inception of the CSDP – today there are 6 ongoing military CSDP deployments and 10 civilian missions (although another civilian mission is planned for 2020). This fact illustrates both the relative efficiency with which the Union can deploy civilian missions and EU member states' continued reservations about deploying military force in a CSDP framework. Even with the adoption of the European Security Strategy in 2003, the creation of a common financing mechanism in 2004 (the 'Athena Mechanism') and the introduction of the Lisbon Treaty in December 2009, this situation has not changed.

For others, however, and regardless of its record in crisis management, the CSDP has become a tool that does not entirely fit the geopolitical pressures Europe faces today.<sup>8</sup> This much higher benchmark argues that the so-called Petersberg Tasks defined by European leaders in June 1992 under the then Western European Union (WEU), and later incorporated into and expanded by the Lisbon Treaty in 2009,<sup>9</sup> are a product of a bygone era that saw unrivalled American power after 1991 give rise to an overwhelming desire to correct the ills of globalisation.<sup>10</sup> Perhaps this viewpoint unfairly glosses over the continued instability in places such as the Sahel – areas of Europe's wider neighbourhood that can be intensely violent and not as easy to remedy as the label 'crisis management'

**The impetus behind the CSDP followed Europe's helplessness in dealing resolutely with the Balkan crisis during the 1990s.**

8 See, for example, Margriet Drent and Dick Zandee, "After the EUGS: Mainstreaming a New CSDP", *EUISS Alert*, no. 34, July 2016; Adrian Hyde-Price, "The Common Security and Defence Policy", in Hugo Meijer and Marco Wyss (eds.), *The Handbook of European Defence Policies and Armed Forces* (Oxford: Oxford University Press, 2018), pp. 392–406.

9 The Petersberg Tasks initially included humanitarian and rescue tasks, peacekeeping tasks and tasks of combat forces in crisis management, including peacemaking, but, once incorporated under Article 42 of the Treaty on European Union, joint disarmament operations, military advice and assistance tasks and post-conflict stabilisation tasks were added.

10 Luis Simón, "CSDP, Strategy and Crisis Management: Out of Area or Out of Business?", *The International Spectator: Italian Journal of International Affairs*, vol. 47, no. 3 (2012), pp. 100–115.

may sometimes imply. Nevertheless, this view holds that the real security dilemma facing Europe is not instability near the EU's borders but rather the tectonic shifts underway in international politics – indeed, regional instability can be directly attributed to these shifts in certain instances (e.g. Russia's seizure of Crimea).

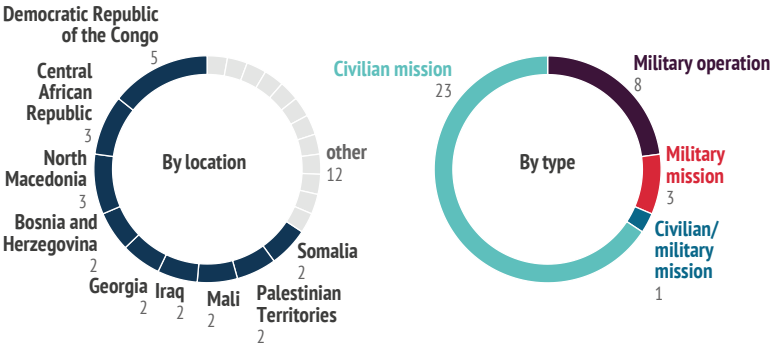
More concretely, when CSDP is weighed against the Trump presidency, the rise of China and a crumbling multilateral order, it cannot help but disappoint. Although this is an unfair metric of CSDP's importance, given the specific treaty provisions governing the policy and the fact that it has not been set up to deal with global geopolitical competition, the argument invariably comes from an understandable perspective: one that wants to see the EU secure its values and interests in a world where old partners and new powers cannot be relied upon. To paraphrase Lord Palmerston, while the EU may be starting to realise it has no eternal allies or perpetual enemies, the difficulty the EU faces in defining eternal and perpetual interests – and in unison too – all too often undercuts CFSP and, by extension, CSDP. Numerous past and recent examples highlight the occasionally flimsy common interests the CSDP is supposed to help secure (e.g. Libya and Syria in 2011). Under this view, any claim to EU strategic autonomy rings hollow because the Union remains politically divided and not militarily capable of deploying force.<sup>11</sup>

Yet we are perhaps prone to forgetting the similarities with the past. The impetus behind the CSDP followed Europe's helplessness in dealing resolutely with the Balkan crisis during the 1990s. The United States had to step in while Europe was grandstanding about its 'hour' in history. Again, in 2003, American action in Iraq split Europe, but there was no realistic way at that point in time that the CSDP could replace the US as the key guarantor of security in Europe. Admittedly, however, there is something very different about the political landscape today when compared to the 1990s. Today, arms control is fading in Europe due to the tearing up of the INF Treaty, US President Trump has rhetorically undermined some of NATO's core precepts such as Article 5, Russia is again an antagonist in Eastern Europe and in places like Syria, China's rise is testing Europe's position in the world and Brexit means that one half of the duo that signed the St Malo Declaration in 1998 is leaving the Union behind – and taking its capabilities with it.

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**11** For in-depth analysis on the concept of 'strategic autonomy' in defence see Daniel Fiott, "Strategic Autonomy: Towards 'European Sovereignty' in Defence?", *EUISS Brief*, no. 12, November 2018; Sven Biscop, "Fighting for Europe: European Strategic Autonomy and the Use of Force", *Egmont Paper*, no. 103, January 2019.

## Share of missions/operations



Data: European External Action Service, 2019

Within this challenging context, discussions about the EU’s level of ambition on security and defence re-emerged in 2016 with the EU Global Strategy. Not only did this strategy take stock of a rapidly deteriorating security environment for Europe, it was also keen to lay the foundations for a further step forward in the story of the CSDP. Accordingly, the strategy broadened the EU’s level of ambition beyond crisis management and capacity building to also include a thought-provoking concept called ‘Protecting Europe’, which was designed to address issues such as hybrid threats, cybersecurity, border management and other challenges that sit along the internal-external security nexus.

What is more, the EU Global Strategy and its specific follow-on implementation plan on security and defence introduced new initiatives designed to enhance defence planning and military command and control at the EU level. It also dusted off provisions buried in the treaties to ensure that willing and able member states embark on PESCO in defence based on binding commitments related to operations and capabilities. Additionally, looking at the rather woeful increase in defence capabilities in the EU since 1999, the European Commission entered the fray with the creation of a European Defence Fund (EDF) in 2017. With a view to providing financial incentives for cooperative defence capability development, the Commission’s defence action plan in 2016 sought to inject a dose of communitarianism into a hitherto intergovernmental domain. With the rapid development of new military technologies and questions about the industrial competitiveness of Europe’s defence producers, the Fund has raised further questions about the nature of the CSDP.

In this regard, it can be observed that new developments such as the EDF have broadened discussions about EU security and defence beyond the strict confines of the CSDP. Although the Treaty on the European Union (TEU) calls for EU member states to progressively improve their military capabilities and strengthen the European Defence Technological and Industrial Base (EDTIB) through the European Defence Agency (EDA), the presence of the European Commission in defence matters raises questions about CSDP.<sup>12</sup> Overall, while CSDP still remains an intergovernmental governance arena where member state governments dictate the pace of defence integration through consensus and compromise, the Commission now offers a more communitarian path for defence capability development which potentially offers a way through the deadlock that can arise as a result of intergovernmentalism. Thus, through the Fund the Commission is able to invest in defence technologies and capabilities and this could have a bearing on how we view CSDP – not least because the Union could invest in defence capabilities that are applicable beyond the strict confines of crisis management.

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<sup>12</sup> See Article 4.2.3 TEU.

## **The EU and the Enlargement:**

- Marek Dabrowski, "Can the EU overcome its enlargement impasse?", *Bruegel*, 2020 pp. 1-3.

OPINION

# Can the EU overcome its enlargement impasse?

*The 'new enlargement methodology' may help overcome the impasse triggered by the inability of the European Council to open accession negotiations with North Macedonia and Albania*

BY: [MAREK DABROWSKI](#)

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TOPIC: GLOBAL ECONOMICS &amp; GOVERNANCE

On 5 February 2020, the European Commission published a communication on the EU accession process of Western Balkan countries[1], called as the 'new enlargement methodology'[2]. This may be the good news as the step towards overcoming the impasse in the EU enlargement process triggered by the inability of the Council to open accession negotiations with North Macedonia and Albania in October 2019. Whether it will happen will depend on the position of France and other enlargement-skeptic countries (Denmark and the Netherlands opposed starting the talks with Albania).

Emmanuel Macron explained his desire to reform the European Union and the enlargement process before further accession negotiation are launched (Emmott et al, 2019). The communication can be seen as meeting the second French condition.

Even if the impasse is overcome in the next few weeks or months, the damage done so far will be difficult to repair. This relates, in particular, to North Macedonia, the country which has waited more than 14 years for accession negotiation to open. Such a long waiting period was caused mainly by Greece's demand to change the country's name from Macedonia. When this conflict was finally resolved in the Prespa Agreement of June 2018 and the politically painful ratification process of constitutional changes (caused by the change of name) was completed, North Macedonia expected to be rewarded with opening accession negotiation. Then came the French veto. The government of North Macedonia resigned and called a snap election, scheduled for 12 April, the results of which are difficult to predict. It may give a victory to nationalistic forces whose commitment to European integration and democratic values is weaker as compared to the outgoing coalition of social democrats and Albanian minority parties.

The consequences of not opening accession negotiations in October 2019 has been felt beyond North Macedonia and Albania. The credibility of the entire EU enlargement process in the region has been undermined. Consequently, it also put political stability of the Western Balkans under question as it hangs, to a large degree, on the prospects of EU membership offered by the EU Thessaloniki summit in June 2003. It also encouraged other powers, in particular, Russia and China to continue their meddling in the region's problems (Tcherneva and Varma, 2019).

Furthermore, as the credibility and strength of the EU Common Foreign and Security Policy (and other external policies) is built on so-called soft power and the EU's ability to deliver on the earlier promises plays a crucial role. Signs of isolationism and inward-oriented national policies aimed to mobilize the support of enlargement-sceptical constituencies damages the EU's position as the global political player.

The new communication reminds us of the geopolitical importance of the Western Balkans for the EU and of the major commitments the EU has made to this region in the past. It says, among others, that '*...firm, merit-based prospect of full EU membership for the Western Balkans is in the Union's very own political, security and economic interest. In times of increasing global challenges and divisions, it remains more than ever a geostrategic investment in a stable, strong and united Europe.*' It also calls '*all parties [to] abstain from misusing outstanding*

*issues in the EU accession process*, a clear reference to incidences of using EU enlargement as a hostage of domestic political games in individual member states.

The communication suggests a new approach to accession negotiations, but whether it will be a new mechanism remains a big question. Besides, one may ask whether the procedures used so far should and can be changed. In this respect, the communication seems to respond to concerns of the French government and its earlier non-paper[3] published in November 2019 rather than to real difficulties experienced in accession negotiation.

One of the issues strongly emphasised by the Commission is the priority of fundamental political reforms such as the rule of law, functioning of democratic institutions, fighting corruption, etc. As the document stresses *'...negotiations on the fundamentals will be opened first and closed last and progress on these will determine the overall pace of negotiations.'* This is the right approach, especially in the light of recent developments on this front in some member states, especially in Hungary and Poland. However, focus on the fundamentals in the EU accession negotiation is not totally new. It was articulated, among others, in the State of the Union Address 2017 of the then President of the European Commission Jean-Claude Juncker[4] and then repeated in a series of Commission and Council documents related to Western Balkan region in 2018.

Furthermore, even the strongest emphasis given to foundations of political and legal systems in accession negotiations will not provide a full protection against potential abuses of the rule of law and authoritarian drift in individual countries once they become EU members. It is worth remembering that Hungary and Poland enjoyed high scores in various international ratings of democratic institutions and the rule of law when they entered the EU in 2004. Besides, incidents of backsliding on fundamental values have happened not only in new member states.

As well as the greater emphasis on fundamental values in accession negotiation, the EU must also strengthen the mechanism of their enforcement with incumbent members. It may include, for example, a regular Commission's assessment of member states' records in the area of fundamental rights and the rule of law, more active use of infringement procedure in case of failure to implement EU law, strengthening competences of the Court of Justice of the EU, etc. (Dabrowski, 2017).

Another novelty heralded in the communication is grouping 35 negotiation chapters into six thematic clusters. The Commission believes that this *'...will allow a stronger focus on core sectors in the political dialogue'* and will help identify the most important and urgent reforms per sector. Indeed, this may help and even speed up the negotiation process under the condition that some secondary issues in less important chapters will not hold the entire negotiation cluster. Another doubt relates to chapters grouping. One may ask, for example, whether 'statistics' and 'financial control' really belong to 'fundamentals' or whether putting together agriculture and regional policy in one cluster is a rational move. The practice will show how the new system works.

The communication proposes several organisational steps such as better alignment of the reformed negotiation process with the work of bilateral Stabilisation and Association Councils, Stabilisation and Association Committees and sub-committees, which monitor implementation of Stabilisation and Association Agreements (SAA). It also suggests better use of the annual assessment of candidate countries by the Commission, better communication to member states on the accession process and more transparency in negotiations.

Finally, the communication emphasises fair conditionality of accession negotiation and incentives for candidate countries. Among 'carrots' there are prospects of *'...accelerated integration and "phasing-in" to individual EU policies, the EU market and EU programmes'* and increasing funding and investment *'...through a performance-based and reform-oriented Instrument for Pre-accession support and closer cooperation with IFIs to leverage support'*. The devil is in details: how 'phasing in' will operate in practice, that is, whether it will go beyond integration provisions of SAA, and whether the new Multiannual Financial Framework can allocate more funds for pre-accession aid.

The 'sticks' include putting on hold negotiations in certain areas, suspending the entire negotiation (as it happened *de facto* in case of Turkey), reopening the already closed chapters, reducing the EU funding (except for that to civil society), pausing or withdrawing benefits of closer integration.

In practice, however, the critical issue is finding the right balance between positive and negative incentives. Historically, this balance moved towards negative incentives, undercutting the hope of candidate countries that have a real chance of joining the EU in a foreseeable future. Such a hope is the strongest incentive to carry out the most difficult and painful reforms and all other 'carrots' make sense only as intermediate rewards to achieve this final goal. 'Sticks' which mean, in practice, temporary or permanent exclusion from the EU accession process (when things go wrong) are the real threat only if the very idea of EU enlargement remains alive and EU is ready to deliver on its historical promise given to Western Balkan countries almost two decades. Keeping the EU enlargement perspective affordable for candidates is of crucial importance for creating the right balance of incentives in accession negotiations.

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## **EU Relations with its neighbourhood:**

- Luigi Scazzieri, "Rethinking the EU's approach towards its southern neighbours", *Center for European Reform*, July 2020.
- Gabriela Carmen Pascariu and Giles Rouet, "Introduction: Resilience and the Eastern Partnership. What relevance for policies?" in G. Rouet and C. Pascariu (eds), *Resilience and the EU's Eastern Neighbourhood*, London, Palgrave, 2019 pp. 3-12..

# Rethinking the EU's approach towards its southern neighbours

By Luigi Scazzieri

- ★ The EU's stated objective is to promote prosperity, stability and security in neighbouring countries in the Middle East and North Africa. But in practice, it has had little success on all three counts. The EU's southern neighbours remain stuck in a middle-income trap, and many are more unstable than they were ten years ago.
- ★ The EU increasingly sees the region as a source of migrants and terrorism, and its approach has been dominated by short-term concerns. But a narrow and unambitious approach does not serve the Union's long-term interests, as it does little to foster real stability amongst its neighbours.
- ★ The EU's political and economic offer to its neighbours is measly, and fails to incentivise either closer co-operation or reforms. North African and Middle Eastern neighbours are not offered the chance of becoming EU members and support is limited to financial assistance and a modest upgrade of trade ties. Additionally, the EU's approach has not been strategic: the Union has provided relatively little support to neighbours like Tunisia, where efforts to promote reform stood a good chance of being successful, while providing substantial unconditional economic assistance to authoritarian regimes such as Egypt.
- ★ The EU has also made little effort to foster regional security. Europeans have been sidelined in the Syrian conflict, and now also in Libya. Member-states have often been divided, making a common European response impossible. At the same time, other actors, such as China, the Gulf states, Iran, Russia and Turkey have gained influence at the EU's expense. Libya now risks being partitioned between Turkish and Russian spheres of influence.

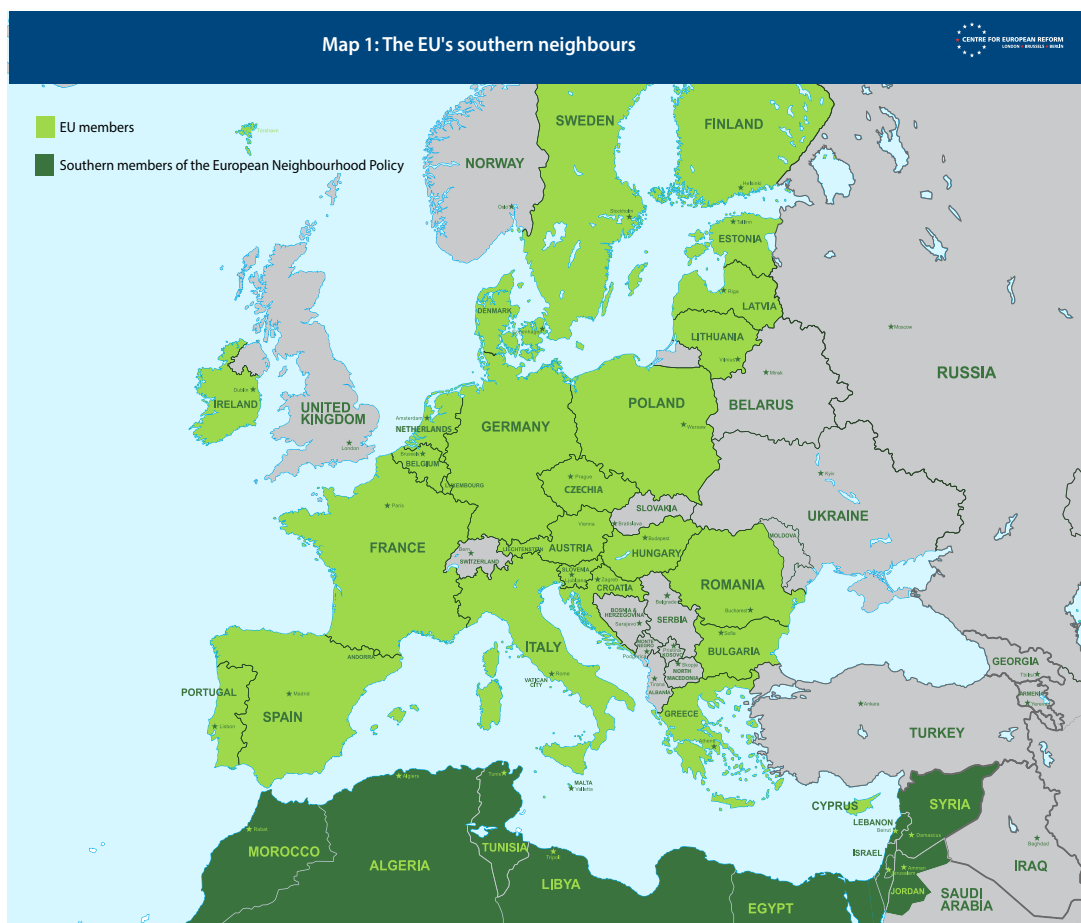
The Arab Spring uprisings of 2010-11 sparked hopes amongst many Europeans that their neighbours in the Middle East and North Africa were on their way to becoming more democratic, prosperous and stable. Almost ten years on, these hopes have largely evaporated. With a few exceptions, notably Tunisia, the EU's southern neighbours are no more democratic than they were prior to 2011. Moreover, many countries in the region are more unstable than ten years ago, and they are seen in Europe as a source of unwanted migrants and terrorism.

Civil wars have been raging in Syria since 2011 and Libya since 2014. Terrorist groups, such as the so-called Islamic State (IS), have proliferated amidst war, social discontent and poverty. Europe's perception of its southern neighbours as a source of instability was heightened by the 2015-16 migration crisis, which resulted in over one million people entering the EU. This crisis contributed to the UK's vote for Brexit, fuelled the rise of populist anti-immigration forces across Europe and deepened political divisions between member-states.

The COVID-19 pandemic will deal another heavy blow to the EU's southern neighbours, many of whom have weak health systems and lack the financial means to prevent damage to their economies. Unemployment is rising, and

governments will be pushed to cut spending further or raise taxes. Economic disruption will fuel further social discontent and extremism, leading to increased migration towards Europe.

This policy brief highlights the failings in the EU's approach towards its southern neighbours in North Africa and the Middle East. It focuses on the southern members of the European Neighbourhood Policy (ENP), the main instrument of EU policy towards its neighbours. These are Morocco, Algeria, Tunisia, Libya, Egypt, Jordan, Lebanon, Israel, Palestine and Syria (Map 1).



## The evolution of the EU's approach towards its southern neighbours

The ENP was launched in 2004 following the EU's eastern enlargement, and included both the EU's 'old' neighbours to the south and the 'new' ones in the east. The ENP aimed to avoid creating new dividing lines between the EU and its new neighbours. In the words of then European Commission President Romano Prodi, the neighbours would share "everything but institutions" with the Union.

The ENP aimed to foster far-reaching change in the EU's neighbours, gradually turning them into prosperous and stable democracies. The policy was modelled on the EU's accession process, with objectives agreed between the EU and its partners, and regular reports assessing progress in political and economic reforms. Conditionality was a key element: in exchange for democratic and economic reforms, the EU promised its neighbours greater financial support, market access, and easier travel for their citizens to work, study and visit the Union. While the ENP stressed democracy promotion, in practice the Union emphasised economic liberalisation and did not consistently apply democratic conditionality. The EU forged partnerships with authoritarian states such as Hosni Mubarak's regime in Egypt and Zine El Abidine Ben Ali's in Tunisia, especially after the September 11<sup>th</sup> 2001 attacks in the US when these governments were perceived to be key allies against international terrorism. In 2008 the EU even began negotiating a trade agreement with Colonel Muammar Gaddafi's Libya.

*“The ENP aimed to foster far-reaching change in the EU's neighbours, gradually turning them into prosperous and stable democracies.”*

In 2008, the EU launched the Union for the Mediterranean (UfM) within the ENP framework. The UfM, a French initiative by then President Nicolas Sarkozy, was a revamp of the 1995 Barcelona Process, also known as the Euro-Mediterranean Partnership. The Process was designed to promote regional co-operation in the political, security, economic and cultural fields. The UfM was supposed to complement the bilateral ENP with a multilateral dimension, promoting economic integration between the EU and its neighbours, and between the neighbours themselves, through highly visible regional projects such as infrastructure projects. However, the UfM was plagued

by the same issues that had led to the failure of the Barcelona Process: it lacked serious political backing and was hobbled by a lack of co-operation between Israel and the Arab states.

With the 2011 Arab Spring, the EU recognised that its policy had often strengthened authoritarian rulers at the expense of democratic reforms and respect for human rights. The EU carried out a review of the ENP, reorienting it towards greater conditionality in an effort to promote "deep and sustainable democracy" amongst its neighbours.<sup>1</sup> Countries that made progress in consolidating democracy and the rule of law would receive greater European support. At the same time, the EU would reduce support to countries that were backtracking on democracy and violating human rights.

The EU did take some steps to promote democracy, for example creating a 'European Endowment for Democracy' to support grassroots pro-democracy groups in the southern and eastern neighbourhoods. But in practice, the EU's approach did not change significantly. Its promise of greater support in exchange for reforms did not yield results. And the Union continually failed to apply conditionality in a rigorous way: instead it continued to co-operate and seek deeper ties with countries that slid back towards authoritarianism, such as Egypt, where a military coup overthrew the democratically elected government in 2013.

In 2015, the EU's approach changed again. Faced with conflicts in Syria, Libya and Ukraine, Europe's overriding aim became containing instability. The EU reformed the ENP once more, refocusing it to promote stability, rather than democracy and human rights. The EU's new approach also promised more differentiation between partners, with 'priorities' to be agreed with each country. This marked a recognition that the EU's previous focus on 'deep' transformation had been unsuccessful, that there were limits to the Union's leverage, and that many neighbours wanted neither closer relations with the EU nor to undertake the difficult reforms necessary to boost their trade with the Union. The trend towards prioritising stability was reinforced by the EU's 2016 Global Strategy, which focused on fostering 'resilience' amongst the EU's neighbours. While resilience entailed the promotion of human rights and, in the long-term, democratisation, the strategy's emphasis in the short-term was on promoting stability.

1: 'A new response to a changing Neighbourhood', European Commission, 25<sup>th</sup> May 2011.

## The EU's policy towards its southern neighbours after the Arab Spring

The EU's approach towards its neighbours in the Middle East and North Africa has failed to foster security, stability and prosperity since the 2011 Arab Spring. The Syrian conflict, ongoing since 2011, has devastated the country and severely weakened neighbouring Lebanon and Jordan. Libya, persistently unstable since the Western-backed overthrow of long-time ruler Gaddafi in 2011, has been mired in civil war since 2014. Meanwhile, in Egypt and Algeria, poverty, corruption and authoritarianism

are fuelling social unrest under a thin veneer of stability. Tunisia and, to a lesser extent, Morocco, are the only bright spots in the region. Tunisia has been a democracy since 2011, and has sought to build closer relations with the EU. However, its economic growth has been weak and its democracy remains fragile. Throughout the region, extremists thrive on poverty, high unemployment and political polarisation, which also fuel migration towards Europe (Table 1).

**Table 1: Economic conditions amongst the EU's southern neighbours**



	Unemployment (2019) %	Youth unemployment (2019) %	GDP per capita (2018) \$	GDP growth (2012-2018) %
Morocco	9	22	3222	22
Algeria	11.5	30	4114	17
Tunisia	16	36	3447	13
Libya	18.5	50.5	7241	-21
Egypt	11	31	2549	26
Jordan	15	35	4241	15
Israel	4	7	41719	23
Palestine	26	42	3198	15
Lebanon	6	17.5	8269	7

Source: World Bank; author's calculations on World Bank data.

Table 2: Trade patterns and aid disbursements

	Volume of bilateral trade in billion euro, 2017	Percentage of total goods exports to EU-27, 2019	EU official developmental assistance in million USD, 2018	EU official developmental assistance as a percentage of total official developmental assistance received 2017-2018	Total official developmental assistance as a percentage of gross national income, 2018
Morocco	45.6	63	1088	58	0.7
Algeria	39.9	56	230	88	0.1 (2017)
Tunisia	23.9	70	907	68	2.1
Libya	15.2	57	183	72	0.6
Egypt	27.9	31	1120	40	0.8
Jordan	5.3	3	962	31	6
Israel	44.7	21.1	0	0	0
Palestine	0.4	0.6	885	39	13.2
Lebanon	9.6	8.8	810	50	2.5

Sources: Author's calculations based on data from DG Trade, OECD, World Bank.<sup>2</sup>

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## The limits of the EU's approach towards the southern neighbourhood

The EU has had little success in its efforts to promote stability, security and prosperity amongst its southern neighbours. In large part, this is because the Union has been primarily concerned with reacting to immediate crises rather than thinking long-term. Its approach has been dominated by providing humanitarian assistance and by concerns about migration and terrorism. But this approach does not serve the EU's long-term interests, as it does little to foster genuine stability amongst its neighbours. The EU has only provided modest support to countries where its efforts to promote reform stood a good chance of being successful. In particular, with more EU help Tunisia could become a prosperous and stable democracy and EU ally in North Africa, adding to the Union's security and to its soft power. At the same time, the EU has continued to provide substantial unconditional support to authoritarian regimes such as Egypt, since member-states are keen to maintain good relations and economic links, and are concerned that the alternative would be instability and higher migration. But unconditional EU support disincentivises economic and political reform, and ultimately may well undermine the EU's aim of fostering stability.

The EU's political and economic offer to its southern neighbours is too limited to encourage them to undertake major economic and political reforms, or to build much deeper ties to the EU. The amount of financial assistance provided by the Union is small compared with the scale of the challenges faced by its partners, and the amount of assistance provided by other donors such as the Gulf states. The sums involved are comparatively small even in the cases of Morocco and Tunisia, two of the largest recipients of EU assistance and the EU's closest

partners in the MENA region. Moreover, the EU's support has not always been effective, acknowledged by partners, or visible. For example, a report by the European Court of Auditors on EU support to Morocco concluded that European funds were not well-targeted, went largely unnoticed by the Moroccan population, and were poorly co-ordinated with national aid, with member-states keen to maintain their own visibility.<sup>13</sup>

In terms of trade, the EU's current association agreements with its southern neighbours offer only limited market opening. The agreements provide tariff-free trade in industrial goods but only partly liberalise agricultural trade and fisheries. The EU is negotiating DCFTAs with several countries in the region, which offer a much deeper level of market integration. However, in all cases these negotiations have made limited progress, as DCFTAs require signing up to much of the EU's *acquis*. This entails profound economic and institutional reforms that are difficult to implement, economically costly, and politically difficult, as they are likely to go against the interests of influential domestic groups. Moreover, there has often been opposition to negotiating DCFTAs from civil society. For example, in Tunisia influential groups are sceptical of market liberalisation. In terms of mobility for their citizens, the EU's offer to its neighbours is also limited, with member-states unwilling to expand legal migration routes. At the same time, negotiations on readmission agreements have been blocked by the EU's demand that countries must take back nationals from countries other than their own.

The EU's political offer to partners is also too small. The EU does not offer countries to its south a deep

12: EU Directorate General for European Neighbourhood Policy and Enlargement Negotiations, 2020.

13: 'EU support to Morocco - Limited results so far', European Court of Auditors, December 11<sup>th</sup> 2019.

partnership, but only a relatively modest upgrade of trading relations. In the EU's eastern neighbourhood, Moldova, Ukraine and Georgia have been willing to conclude and implement DCFTAs because they viewed them as a stepping stone towards their ambition of EU membership. Even though membership is at best a very distant prospect for them, the Union has never ruled it out, as all three countries are geographically European and thus in theory eligible to be members. In contrast, the countries to the EU's south are not geographically in Europe, and therefore cannot become EU members. The offer of upgraded trade ties is not appealing enough to convince governments in these countries to undertake politically costly reforms.

*“The EU does not offer countries to its south a real partnership, but only a relatively modest upgrade of trading relations.”*

Europe's limited security footprint in the region makes it a less attractive partner. Member-states' contributions to UN peacekeeping in Lebanon have been valuable, and some member-states contributed to the defeat of IS forces in Syria and Libya. However, the EU and its member-states have been powerless to affect the course of the civil war in Syria, or to halt Israel's gradual undermining of the two-state solution. In Libya, the EU failed to consolidate the country's fragile post-Gaddafi government, and the country descended into a destructive civil war. The EU's security efforts have also at times been undermined by a striking lack of co-ordination between member-states. In Libya, France, Greece and Cyprus are primarily concerned with reducing Turkey's influence and have supported Haftar together with Russia, Egypt, the UAE and others. Meanwhile Italy has been supportive of the UN-backed GNA, and many member-states are just as concerned

about Russia's growing presence in Libya as they are about Turkey's footprint.

Then there is the lack of an external threat encouraging countries in the EU's south to move towards Europe. For many of Europe's eastern neighbours, moving closer to the EU is a response to the threat they perceive from Russia. In contrast, the countries to Europe's south see many alternatives to forging closer links to the EU. The Gulf states are influential regional powers, and offer an alternative political and economic model to the European one. Turkey is also an increasingly important player, and has become highly influential in Syria and now also in Libya thanks to its support for the GNA.

Russia is also a significant actor, although more in political than economic terms. Moscow is willing to use force in the region, while also trying to present itself as a mediator, for example in the Israeli-Palestinian conflict or in Syria. Russia has propped up Assad, set up permanent military bases in Syria, and cemented its influence in Libya through its support for Haftar. Moscow is also a major arms supplier in the region, in particular to Algeria and Egypt.

Finally, many countries in the region are also building closer trading and political links with China and are particularly attracted by Beijing's policy of not interfering in their domestic affairs. Beijing has concluded a 'comprehensive strategic partnership' with Egypt and Algeria, and has close political relationships with Israel, Jordan and Morocco. As part of its Belt and Road Initiative, China has plans to invest in infrastructure projects across the region. Its main focus is Egypt: Beijing has invested in the Suez Canal Economic Zone and is helping finance the construction of a new Egyptian administrative capital. Israel is also important for Beijing, and a Chinese company has concluded a deal to build and operate a new seaport near Haifa, despite opposition from the US.<sup>14</sup>

14: Lisa Watanabe, 'The Middle East and China's Belt and Road Initiative', ETH Zurich Centre for Security Studies, December 2019; Yahia Zoubir, 'Expanding Sino-Maghreb relations', Chatham House, February 26<sup>th</sup> 2020.





# 1

## Introduction: Resilience and the Eastern Partnership—What Relevance for Policies?

Gabriela Carmen Pascariu and Gilles Rouet

The year 2019 is an auspicious one, considering that the European Neighbourhood Policy (ENP) celebrates its 15th anniversary, whereas the Eastern Partnership, the multilateral dimension of the ENP towards the European Union (EU's) Eastern Neighbourhood, is approaching its 10th anniversary. With this in mind, it is high time for EU decision-makers to ponder the region's future prospects and to reflect on the key questions and answers regarding some of the most worrying concerns about Europe's security and stability, concerns that also have global significance and impact.

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# 1 European Union's Eastern Neighbourhood: Geopolitical Context and the Normative Agenda

Launched in 2004, only one year after the European Commission's Communication "Wider Europe—Neighbourhood: A New Framework for Relations with Our Eastern and Southern Neighbours" (European Commission 2003), the European Neighbourhood Policy (ENP's) main goal was to develop "a zone of prosperity and a friendly neighbourhood—a 'ring of friends'—with whom the EU enjoys close, peaceful and cooperative relations" (European Commission 2003, p. 4). In this regard, through its new foreign policy, the European Union (EU) has assumed the role of a regional power, aiming to promote stability and prosperity at its external borders by strengthening cooperation with its closest neighbours and by supporting them in adopting the necessary reforms for establishing democracy and consolidating free market institutions. Moreover, the Commission's Communication even includes the "promise" of a deeper integration through the neighbours' participation in the European Single market, "in return for concrete progress demonstrating shared values and effective implementation of political, economic and institutional reforms, including in aligning legislation with the *acquis*" (European Commission 2003, p. 4), following the model of the European Economic Space.

Initially designed to include Russia, the ENP has also outlined the prospect of a broader pan-European economic integration, following the model of concentric circles, with the Union as the tough nucleus, that promotes at its external borders "shared" values, which were in fact European values, norms, institutions, and development patterns. A simple analysis of this document, which represented the basis of the ENP, leads to three key conclusions, which played a significant role in the evolution of this policy in the eastern neighbourhood of the EU:

1. The ENP was mainly the result of external pressures, of a certain constraint, present on the regional geopolitical environment that has been restructured as a result of the EU's own dynamics; as such, through

successive expansions to the South and East (see also Howorth 2016), the EU aimed “to avoid new dividing lines in Europe”, by reducing the gaps between the regions inside the EU and those situated outside its immediate borders; furthermore, the EU’s Eastern neighbourhood was perceived as a threat to the Union’s security, as these countries (Russia included) did not clearly express a willingness to adopt a clear democratic path and a sustainable development model. Subsequently, the ENP has thus emerged as a reactive policy, its tools and methods being “imported” from its enlargement policy towards Central and Eastern Europe (i.e. Association Agreements, Action Plans, Financing, Market Liberalisation, Positive Conditionality). In this case, the Union sought to encourage and support, at the same time, the new neighbours to adopt the Western model of society and economy, but without offering institutional integration, thus “sharing everything with the Union, but institutions” (Prodi 2002). However, such a limitation has generated two opposite reactions in the neighbourhood: frustration in those countries that had European aspirations (such as Georgia, Moldova, or Ukraine), respectively, the perception of the EU as an oppressive power, with its specific conditionality; this view was particularly expressed by those countries with a more balanced approach towards the EU, that were rather oriented towards Russia (such as Belarus, Armenia and Azerbaijan).

2. When the ENP was launched, the EU was deemed strong and attractive enough for neighbouring countries so that it assumed a clearer external dimension. Moreover, the EU was also inclined to believe that its mechanism of positive conditionality, that had worked so well in the enlargement process, would be just as effective, despite lacking the promise of the EU’s accession itself. At the same time, the lack of a clear integration perspective, of limiting the neighbours’ access to the European common market highlighted the emerging of a certain “fatigue”, following the eastern enlargement of 2004–2007, which also partially indicated that the EU might have reached its geographical limit. In practice, these translated into a raising awareness of the existing vulnerabilities which have compelled the EU not to consider future enlargements, even in the case of those countries that would have opted for such a perspective.

3. By giving its own model a universal value, the EU has built its ENP around the idea that all neighbouring countries, including Russia, will automatically aspire and strive for the European model, so that the Union could assume the role of a transformative power in the region, without facing notable challenges in transferring to these countries its own rules, values, and institutions, in line with the *acquis communautaire*. In return for adopting the required reforms and policies that these countries have agreed to, thus promoting the “Europeanisation” phenomenon, the EU has offered financial support, strengthened cooperation and access to European programmes, security guarantees, as well as it has, overall, facilitated people’s mobility and access to European markets. However, in literature, the EU’s approach is being perceived as “Eurocentric” (Lehne 2014; Howorth 2016), “missionary” (Simionov and Tiganasu 2018, p. 137), or as an “intoxication with its own model” (Krstev and Leonard 2014).

Apart from the specific ENP aspects mentioned earlier, the lack of a common EU foreign and security policy has played a major role in the policy’s implementation dynamics and the results obtained in the region. The resulting limits have been very clearly highlighted in the context of the crisis in Ukraine, when the discordant preferences of the member states towards the neighbours and Russia have led to different positions that have weakened the effects of sanctions against Russia along with the EU’s overall ability to provide security and stability in the region. Moreover, the ENP is rather a common European platform that is not entirely assumed by the individual member states. Furthermore, border states, which should play a key role in implementing the ENP, are not necessarily accountable in this process, thus displaying a very low self-awareness. At individual level, connecting countries to the ENP is mainly achieved through cross-border cooperation within the framework of European Cohesion Policy, without assuming, from a political standpoint, an active role in the region, given that in the EU’s external policy, the key players are the member states, not the Union.

Over the past 15 years, all these limitations have determined the EU to constantly revise the ENP and, thus, to undergo a permanent process of strategic and methodical reconsideration of its relations and approach

towards its neighbours. The first important steps were the adoption of the Union for the Mediterranean in 2008 and the Eastern Partnership (EaP) in 2009, which have added a multilateral dimension to the existing bilateral platform. This major revision was followed by the reforms of 2011 (following the Russo-Georgian War in 2008 and the Arab uprisings in 2011), the 2015 reforms as a direct result of the EaP Summit in Riga (following Ukraine crisis, the annexation of Crimea and the War in Donbass in 2014) and, more recently, in 2017, with the 20 Deliverables for the revised 2020 (European Commission 2017c). Each of these reforms has strengthened the EU's commitment to its Eastern and Southern neighbours in supporting the processes of democratic transformation, promoting free markets and sustainable development, in accordance to ENP's initial goal: that of creating a "ring of friends" with whom the EU enjoys close, peaceful, and cooperative relations (European Commission 2003, p. 4). As such, the EU's actions in the region led to consolidating a more differentiated and tailor-made approach designated at reaching the common objectives of the EaP.

The ENP design in the Eastern neighbourhood is therefore defined now by a revised EaP. Considered a joint initiative of the EU and the six post-Soviet neighbouring countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine), the EaP has set itself major goals after 2015 through constant negotiations between the EU and the post-Soviet countries, focusing on a list of priorities related to democratic transformation and economic and social development: (1) economic development and market opportunities (by stimulating economic diversification, attracting investment, creating new jobs, sustaining macroeconomic stability); (2) strengthening institutions and good governance (by fighting against corruption, supporting the reform of justice and strengthening public administration); (3) connectivity, energy efficiency, environmental and climate change (by facilitating transportation and regional economic integration and people's mobility, reducing external exposure to the risks and increasing the resilience of the EaP countries) and (4) mobility and people-to-people contacts. The four priorities, based on the negotiations which took place at the Riga Summit (2015) have materialised in 20 deliverables agreed through a joint agreement at the EaP Brussels Summit in November 2017 (Council of the European Union 2017). These

deliverables are aimed at providing tangible results to the citizens from the EaP states by 2020, at rebuilding confidence in the EU's capacity to promote peace, stability, and prosperity in the region and at reinforcing the EU's commitment to support the aspirations of these countries in order to have closer relations with the EU.

As it appears, the EaP is based on the assumption that the six Eastern neighbours assume European integration as a strategic political objective, since strengthening democracy, the rule of law, human rights, and fundamental freedoms, as well as principles and norms of international law are at the heart of the EaP (European Commission 2017b). Likewise, on behalf of the EU, the assumption is that the Union is sufficiently strong and genuinely interested in supporting the efforts of the EaP states to seek closer integration with the EU. In earnest, the only possible integration available is a partial one, since the EU has not altered its initial offer, which only entails the prospect of participating in the EU's internal market (European Commission 2003, p. 10). The subsequent EaP summits reaffirmed this political option, which, over time, constituted itself as the bedrock of the EU-EaP relationship.

However, after casting a glance at the EU's latest developments over the past years, at Union's present challenges and limits and at the complex geopolitical context from the wider post-Soviet space, it is fair to observe that the ENP perspectives are currently called into question.

Firstly, although the EU is a major global economic actor (with over 20% of global GDP and 15.6% of global exports in 2017), it experiences now a very problematic period of systemic challenges. The Union has still not managed to recover from the economic crisis and reach the pre-crisis economic levels. As such, economic and social disparities remain high, posing important risks to the functioning of the internal market and the economic and monetary union. Concurrently, the subsequent economic downturn registered after the financial crisis affected people's confidence in the EU and undermined social cohesion and solidarity across the continent. Moreover, Brexit has negatively impacted the economic outlook on the continent and constrained the EU budget. The decision of the UK to leave the EU has also generated political risks and may weaken the EU's position as a global and regional actor. Last but not least, the immigration crisis (with over 1.8 million refugees who have arrived in Europe

since 2014) has led to increased tensions between member states and brought about serious discussions vis-à-vis the real meaning of the principle of subsidiarity, namely what the Union is allowed (or not) to impose on the member states. Against this backdrop, the EU still remains popular across Europe, according to the latest Eurobarometer, although the past years have seen a surge in the Eurosceptic sentiments in many member states.

Secondly, ever since the end of the Cold War, the EU has addressed the challenges existing in the neighbourhood by spreading the European values, norms, and principles with the final aim of strengthening stability, security, and prosperity in the region. Whereas the Central and Eastern European countries (CEECs) have eventually managed to “return to Europe” after becoming members of both the EU and NATO, for the EaP countries the EU sought to reactivate the same rationale. However, unlike the CEECs, the “full-fledged” membership prospect has never been offered to the EaP countries, which questioned the effectiveness of the EaP partnership framework. Considering the limited attractiveness of the EU’s offer to the post-Soviet neighbouring states, the ENP produced modest results in almost all spheres (including economic, social, institutional development).

Last but not least, Russia’s implications in the “shared neighbourhood” have raised additional challenges for the EU’s transformative power. The EU was unable to deploy more effective responses to the regional turmoil sparked by the Ukrainian crisis. For the first time since the EU has actively involved itself in post-Soviet Eastern Europe, the Union has faced an entirely different context marked by the revival of realistic concerns and Cold War geopolitical-type competitions.

Problematic here, it has also been the inefficient communication of the Union’s policies and plans vis-à-vis these countries. For example, only in 2015 has the EU adopted a communication strategy, more than a decade after the launch of the ENP. This has been chiefly sparked off in response to Russia’s disinformation campaign during the Ukrainian crisis, which pushed the Union to establish an internal structure (namely, East StratCom Task) commissioned to debunk and counter Russia’s disinformation practices in the Eastern neighbourhood. As far as Russia is concerned, while in the 2003 Commission communication document Russia

was seen as a partner in the regional cooperation process, just after the crisis in Ukraine, Russia became “the other”, the enemy and a constant threat to the stability of the EaP countries. Little is mentioned about the fact that Russia’s actions can also be seen as a reactive strategy against the gradual rise of the EU’s economic and political influence in the so-called “shared neighbourhood”. Nevertheless, the future of the EaP is obviously linked to the quality of relations between Russia and the EU, which must be rethought in terms of cooperation, mutual respect, and not rivalry and conflict.

In addition, the clear divisions in the EaP countries’ societies, between the pro-European groups and actors, on the one hand, and the pro-Russians, on the other hand—generated by the increased presence of the two major actors in the region—represented a major source of increased internal tensions and political instability. Specifically, the interference of EU and Russian interests and actions in the region can be viewed as the source/cause of instability and “frozen conflicts”, leading to a decline in the EU’s attractiveness for the EaP population, coupled with a decreased confidence in the EU’s ability to be a real provider of security and prosperity in the region. Within this context, it is not by chance that according to the latest survey conducted in 2017, in Georgia (the country with the strongest European orientation), only 59% of the respondents mentioned having a positive image of the EU, whereas in Belarus (the country most strongly oriented towards Russia), the percentage declined to just 35% (Eurobarometer 2019).

Moreover, taking into account that the economic and political situation of the EaP countries (see the General Annexes) and, subsequently, their relations and stages of integration with the EU vary greatly, the EaP proposed and included into its strategy and agenda various multi-speed and multi-level integration elements. As such, the three partner countries that are more advanced in their relations with the EU (Ukraine, Moldova, and Georgia) have signed the Association Agreements (including Deep and Comprehensive Free Trade Areas) in 2014. With Armenia, the EU has signed in 2017 the EU-Armenia Comprehensive and Enhanced Partnership Agreement, as a result of the EaP Summit in Brussels, in November 2017, while Armenia is also a member of the Eurasian Customs Union with Russia, just as Belarus. With Belarus, there was no bilateral



agreement, although relations with the EU have considerably strengthened over the past years. With regard to Azerbaijan, the bilateral relation with the EU is based on the 1999 EU-Azerbaijan Partnership and Cooperation Agreement. At the 2017 EaP Summit, the two partners only began negotiating a new updated agreement. Overall, the most advanced countries in terms of EU integration are Georgia and Moldova, whereas the least integrated remain Azerbaijan and Belarus, according to the index of linkage dimension developed by the Eastern Partnership Civil Society Forum (Eastern Partnership Civil Society Forum 2014–2017).

An analysis of the literature in the field easily reflects that all these limits of the EU's actions in the region, in the framework of its neighbourhood policy, have shown their effects since the early years of implementation. Starting with 2010, academics and experts in international relations but also other connected disciplines have pertinently claimed the need for a radical overhaul of the neighbourhood strategy, in general, and of the EaP, in particular, in order to advance the transformative processes in the neighbouring countries by adapting their economies and societies to European standards (Bechev and Nicolaidis 2010; Börzel 2011; Whitman and Wolff 2010; Korosteleva et al. 2013; Howorth 2016; Lehne 2014; Korosteleva 2017). The same key priority has also been highlighted by European institutions (Council of the European Union 2015; European Commission 2014a, 2014b, 2014c). In effect, the EU's main challenge regarding its Eastern Neighbourhood was to find new approaches and action tools in the region, better suited to the geopolitical context (defined by instability and multiple shocks) and to the specificities of each country (structural fragilities, economic, social, and institutional risks). Nevertheless, since the values, models of governance, or reforms cannot be imposed from the outside, merely searching for optimal formulas at EU level was clearly not enough. The perspective of development in the region is directly dependent on the capacity of EaP countries to assume and implement reforms “in moments of abrupt change and rupture of political and social stability” (European Commission 2014b). This means that in the various stages of ENP's dynamics, the priority was to find common solutions, outside and inside, and to advance better understanding of the EU's partners and of the region as a whole, by integrating a systemic analysis of the internal and external shocks and vulnerabilities.

One of the most recent approaches in literature, which can offer such an understanding, refers to the concept of resilience and its specific theoretical and methodological developments. Representative studies in the field (Shaw and Maythorne 2013; Martin and Sunley 2014; Boschma 2014) explain that resilience can reflect the capacity of a socio-economic system (city, region, country) to be placed on a long-term development path, incorporating a large set of internal and external conditionalities. Consequently, the resilience analysis could outline the vulnerabilities within a system in relation to various types of shocks, which may further explain its capacity to resist, to recover, and to transform by adopting a new growth and development pattern, making it a very appropriate approach for the specific case of the EaP countries. Not by chance, the concept of resilience has increasingly become present in the European Foreign Policy, especially when it comes to the EU's neighbours. Thus, if in the Commission's Communication of 2003 on the "Wider Europe" project, resilience is never mentioned, within the Joint Declaration of Riga (2015) it appears twice, in the Commission's Communication "Wider Europe—Neighbourhood: A New Framework the Concept of Resilience for Relations with Our Eastern and Southern Neighbours" (2017a) seven times, whereas in the "A Global Strategy for the European Union's Foreign and Security Policy" (EUGS) (European Commission 2016), the word "resilience" appears 41 times. Consequently, in the EUGS, resilience of states and societies becomes a "strategic priority across EU's East and South both, in countries that want stronger ties with the EU, addressing the different paths of resilience" (p. 26). The EUGS and the revised ENP (European Commission 2015, 2017a) call for a focus on achieving the overall goal of increasing the stability and resilience of the neighbours.

## The European Union and the multilateral system

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# The European Union and the multilateral system

## Lessons from past experience and future challenges

EPRS invites leading experts and commentators to share their thinking and insights on important features of the European Union as a political and economic system. In this paper, **David O'Sullivan**, former Secretary General of the European Commission and EU Ambassador to the United States, reflects on the Union's contribution to and standing in the multilateral system which it has done so much to support and pioneer, as well as on some of the issues that confront Europe if it is to maximise its influence in international economic fora of various kinds.

### Introduction

Over the years, the European Union has become a key player on the international scene in many areas, from its role in economic and financial affairs to the importance of its development policy, its commitment to fight climate change and its engagement to defend human rights. The 2003 European Security Strategy, a milestone in the development of an independent EU foreign and security policy, already dedicated an entire section to the importance of 'an international order based on effective multilateralism'.<sup>1</sup> This chapter of the strategy argued that regional organisations, such as the EU, are key actors in the multilateral system and strengthen global governance. As such, multilateralism is not only a cornerstone of the European external policy, as emphasised again by the 2016 EU Global Strategy,<sup>2</sup> but it is a real 'identity factor' for the EU.

The integration of the EU in the multilateral order has never been easy in a world dominated by state actors. Today, a complex international landscape poses many challenges to the Union, from the risk of collapse of the multilateral trading system to new strategies endorsed by key global players such as the United States and China. The very essence of the EU is to promote structures and systems which favour the gradual elaboration and implementation of common rules in all areas of economic activity. In that sense, the EU was moving with the *Zeitgeist* of the second half of the 20th century. Yet, the recent re-emergence of more traditional great power politics and a more transactional approach to both bilateral and multilateral negotiations threaten to change the rules of the game.

The *sui generis* nature of the EU has long been recognised by both scholars and practitioners. For decades, the EU has been a puzzle to traditional diplomatic and international law approaches. Precisely defining this '*objet politique non identifié*', to use the words of Jacques Delors, remains still today a complex task.<sup>3</sup> Far from being a mere theoretical issue, the uniqueness of the EU has, in fact, very practical implications in the world of international politics. In particular, the complex nature of the EU directly challenges key multilateral fora such as the United Nations (UN), the World Trade Organization (WTO), the G7/G20 or the international financial institutions. These different institutions alternately seek to integrate the EU as an economic giant and growing political power and to relegate it to a secondary role as a simple regional organisation. As a result, the EU is forced to juggle between different political roles and institutional arrangements across the full breadth of

the multilateral landscape. This paper looks at how the EU's singularity is overcome in practice. It also reflects on what are the perspectives for future developments, taking account of a particularly challenging multilateral context.

## The rise of a singular actor in the multilateral system

The EU in its current form is the result of extensive intergovernmental cooperation and a progressive transfer of competences from the national to the supranational level. European cooperation constitutes arguably the most successful example of regional integration in the world, and the EU can easily be perceived as a champion of inter-state cooperation. The historical and institutional roots of the EU would therefore suggest that it is a natural player in the multilateral order. As stated by the current President of the European Commission, Ursula von der Leyen, in the political guidelines for her mandate, 'multilateralism is in Europe's DNA'.<sup>4</sup>

The reality is, in fact, more complex, as the EU has grown into a unique actor in a world order that remains heavily state-centred. On one hand, the EU has progressively established itself as a global power. It has today a number of commonalities with other major actors, such as the US, China or Russia, including its size, economic power and influence on its direct neighbourhood.<sup>5</sup> On the other hand, it remains a *sui generis* actor which faces challenges unknown to big state actors. The ability of the EU to act as an independent player in the multilateral system has notably been limited by its legal status and by the scope of its competences. Indeed, before the entry into force of the Lisbon Treaty in 2009, the EU did not even have legal personality. It had, therefore, no access to proper membership in international organisations and was usually represented by one of its institutions, in most cases the European Commission or the Member State holding the rotating presidency of the Council at the time. This formal legal hurdle was overcome over a decade ago, which has allowed the EU significantly to increase its profile on the international scene.

Other constitutive challenges remain. European external action is notably limited by the scope of the EU's competences. The principle of conferral laid down in Article 5 of the Treaty on European Union (TEU), states that the EU can only act within the limits of the competences that Member States have conferred upon it in the Treaties. This also applies to international cooperation, where the EU can only assert itself where it has a sufficient level of competence. As a consequence, the EU is a strong player in some fora and a secondary actor in others.

## An impressive legacy of multilateral action in trade and development policy

Looking at where the EU does have extensive competence to rely on, European engagement on the multilateral scene is impressive. The best example is probably economic and financial affairs, where the EU has an obvious role to play, being the one of largest economies in the world. External trade policy is at least partly at the origin of the broader EU external action.

When the (then) European Economic Community (EEC) was created in 1958, the two main external competences of the new Commission lay in the areas of trade and of development assistance, where the European Development Fund was intended primarily to fund relations with existing or former colonies. The Customs Union, which entered into force in 1968, had also to find its place in the then General Agreement on Tariffs and Trade (GATT).

Historically, external trade has built up the ability of the EU to influence international affairs and its bilateral relations with single third countries. For a long time, the focus was on the multilateral, initially within the GATT and then, later, within the WTO, of which the EU became a member in its own right upon its foundation in 1995. In recent decades, and particularly following the failure of the Doha Development Round in 2008, the EU has concluded some 40 free trade agreement (FTA) deals with over 70 countries, putting it at the centre of the largest free trade network ever created. It is the top trading partner for 80 third countries.<sup>6</sup> Today, the trade tool remains a key instrument of the EU's global influence, working hand in hand with other areas of external policy, such as

sanctions, development policy or climate action. The EU, together with its Member States, is responsible for over 55 % of overseas development assistance (€75.2 billion in 2019),<sup>7</sup> making it the largest donor of such assistance in the world. Similarly, the EU and its Member States provide the majority of humanitarian assistance worldwide.

## Economic and Monetary Union and the euro

The EU's leading role in monetary policy is another aspect of the European influence in the world of economic and financial affairs. The progressive introduction of the euro since the early 2000s, a currency currently used in 19 European states, has added a new dimension to the EU's international role. The euro today is the second most important currency in the international monetary system.<sup>8</sup>

EU competence in monetary policy does not, however, involve every Member State. As a result, whilst EU engagement in international financial institutions is growing, it is less established than for trade policy. It is built around a combination of EU and Member State representation that sometimes lacks effectiveness and unity. Although EU countries hold a majority share in both the International Monetary Fund (IMF) and the World Bank, they rarely present an entirely common face and are reluctant to concede a more important role for the EU as such, or even for the Commission, in either forum. The situation in the IMF has gradually improved, following the creation of the euro and the European Central Bank (ECB). In this area like in others, the EU's participation in international organisations has largely developed on a case-by-case basis and does not reflect a consistent, unitary image, and is certainly not the result of a concerted strategy.

## The role of the EU in key multilateral economic and financial organisations

The EU's multilateral engagement on trade, aid, and economic and financial affairs reveals some impressive performance while also underlining a number of challenges and limitations. To understand the complexity of the EU's role in the field of multilateral economic and financial cooperation, it is necessary to have an overview on the different status and roles it plays in key organisations.

### WTO

The **World Trade Organization** (WTO) is probably the multilateral organisation where the EU plays the most well-established and active role,<sup>9</sup> due notably to its exclusive competence in external trade policy. The EU is a full member of the WTO, alongside all of its Member States. In practice, the European Commission is in the driving seat, coordinating the bloc's positions in the WTO's General Council, and speaking and negotiating on behalf of the EU Member States in Geneva. In addition, the Commission deals with WTO complaints and can propose retaliatory measures to Member States. This situation implies the acceptance by individual Member States of a more passive role. The division of labour in the WTO allows the EU to truly speak with one voice and to ensure a strong and coherent representation of the European interests. The EU is recognised by external actors as an independent and effective actor in multilateral trade negotiations. In recent years, the EU has even assumed a leading role as a promoter of WTO reform, working in close cooperation with major state actors such as Japan. WTO negotiations are almost a unique example of the EU playing a preponderant role in a multilateral organisation, even if Member States still remain full members in their own right.

### G7/G20

The **G7 and G20**, which are by definition political and less institutionalised fora, have shown great flexibility in integrating the EU. The EU is not an official member of the G7 but is, in practice, the only non-state actor participating in these summits. This was quite a controversial issue when the grouping was first created in 1975. Initially, the Commission was not invited by the then French

President, Valéry Giscard d'Estaing. There was push-back from the Member States not in the group, and the pre-Lisbon Treaty compromise was to invite the President of the Commission and the country holding the rotating presidency of the Council, if that country was not already a full member. The EU is, by contrast, a full member of the G20, although it does not assume the rotating presidency in either format. It is often argued that European powers are over-represented in the G7 and G20 context. On the EU side, the Presidents of both the Commission and the European Council attend the summits, together with three or more Member States' Heads of State or Government, depending on the setting of the meeting. As a result, European delegations represent more or less 25 per cent of the seats in the G20, whilst in the G7 they take almost half of the seats.<sup>10</sup>

Although this extended representation of the EU in the G7 and G20 summits may be beneficial, it also constitutes an important challenge for the perceived coherence and visibility of the Union. When it comes to the content of the discussions in these fora, G7 and G20 meetings usually cover a wide range of topics which may or may not correspond to an EU competence. The division of labour is therefore decided on a case-by-case basis and depends on political and legal considerations linked to the division of competences.<sup>11</sup> The US, in particular, is often critical of what they consider an excessive European presence because the participation of the institutions is added to, and does not replace, the continued presence of the Member States in their own right.

## United Nations

The EU has long struggled to speak with one voice in the biggest intergovernmental forum which is the **United Nations** (UN). Before the EU gained full legal personality in 2009, the European Commission and the rotating presidency of the Council both represented the Union's interests in the UN. In practice, this meant that the Member State holding the Council presidency was the main voice representing the EU and ensuring its visible presence. The changes introduced by the Lisbon Treaty, which aimed at enhancing a single EU external representation, resulted in a legal and political conundrum within the UN.<sup>12</sup> No longer relying on Member States to represent its interests, the EU as a non-state actor and mere observer was at risk of losing some of its speaking rights during debates. Complex negotiations to convince a sufficient number of UN members resulted in the creation of a tailor-made 'enhanced observer status' in 2011. This status grants the EU a more active role compared to other international and regional organisations, in particular within the UN General Assembly. The arrangement does not, however, allow any direct representation in the UN Security Council, though the EU is frequently invited to address the Council, in itself a novelty. UN agencies also chose different paths to deal with EU in their respective forums, often in line with the distribution of competences at European level. For example, the EU has been a member of the Food and Agriculture Organization (FAO) since 1991 but is an observer in various other agencies, such as the United Nations Educational, Scientific and Cultural Organization (UNESCO).

## World Bank and IMF

Within the **international financial institutions**, notably the World Bank and the IMF, the EU plays a less prominent role than what might be expected. This is notably due to a complex institutional landscape on the part of both the agencies and the EU.<sup>13</sup> In the area of monetary policy, the European Commission, the eurozone countries, the rotating presidency of the Council and the ECB all have a word to say, which results in uneven external representation. The ECB has the most well-established role within these institutions and has been notably a permanent observer in the IMF since 1999. This status does not, however, grant the same rights as a full member of the organisation, in particular as regards participation during meetings. In both organisations, Member States are therefore in the driving seat and enjoy a good internal representation, but their level of coordination as an EU bloc is distinctly underwhelming. Discussions on a possible modification of the EU's status in both organisations have been on-going for many years, but the chances of seeing major changes in the near future are low. The vested interest of the Member States in the current arrangements is too strong.

## Climate change negotiations

The EU has also played an important role in international climate change negotiations. The institutional architecture of the UN negotiations is already intrinsically quite complex, but the EU has carved out a leadership role both within the UN Framework Convention on Climate Change (UNFCCC) and in tandem with the Member States. The EU played a critical role in the final deal on the Paris Agreement, and the ratification of that deal by the EU in October 2016 was the key decision enabling its entry into force (by enabling the necessary threshold of 55 % of global emissions to be reached).

## The EU still faces many challenges in a fast-changing multilateral order

As an international actor, the EU has come a very long way since the creation of the European Coal and Steel Community (ECSC) in 1951. It is doubtful that the founding fathers of the European project could ever have imagined that so much would be achieved. The EU is present in all major international fora and is a major player in some of the most important, such as the WTO, the UNFCCC, the G7/G20, parts of the UN system, and even the international financial institutions.

The creation of the double-hatted role of the High Representative for Foreign Affairs and Security Policy and Commission Vice-President, introduced by the Lisbon Treaty in 2009, together with the establishment of the European External Action Service, which manages one of the larger diplomatic networks in the world, has further enhanced the EU's international role and voice.

The EU always exercises its role with a view to reinforcing and developing the rules-based, multilateral system. Some would say that, were it not for the EU, the multilateral system might not have survived the upheavals of the Trump years. At the EU Ambassadors' Conference in 2019, then High Representative Federica Mogherini argued that 'at a time when the idea of a cooperative global order has come under increasing pressure, we have invested in multilateralism like never before – and we have always invested in multilateralism'.<sup>14</sup> Many countries openly admit that they see the EU as the last truly committed defender of multilateralism.

And, yet there is always a lingering sense the EU is still somewhat behind the curve. This is partly because of the patchy and rather unequal way in which the EU is represented. We find it hard to opt for clarity and decisiveness. This is mainly a problem of the Member States being unwilling to give up their places to allow for an EU presence. So, we end up with multiplication. It is partly a result of the different natures of the organisations concerned, as can be seen with the World Bank and the IMF. But the EU institutions themselves are also to blame. The dual role of the President of the Commission and the President of the European Council is often hard to explain to the third countries who meet them in summits. The awkward uncertainty about whom among the Presidents of the European Council, Commission or Parliament should formally accept the Nobel Peace Prize when it was awarded to the EU in 2012 illustrates the point.

## Is there a better way forward?

It is always tempting to imagine a foundational moment of clarification about external competences, either through a new treaty or some kind of inter-institutional agreement. The urge to want to impose some logical division of labour once and for all is understandable. Experience teaches us, however, that this is unlikely to succeed. The more sharply these issues of institutional roles are presented for decision, the more defensive everyone becomes, and it rarely ends well.

In practice, there seems to be little alternative to a more incremental approach, seeking gradually to improve the consistency and unity of defending and promoting EU positions in the different fora on a case-by-case basis. This was the approach which the Commission had to follow in the earliest days of the EEC, when trying to carve out a distinct European role in the GATT. Armed only with the legal language of three articles in the EEC Treaty, the Commission set about creating a right of



exclusive competence which today is taken for granted. One of the early architects of this approach, Edmund Wellenstein, wrote in 2005, 'I do not believe that the authors of the Treaty of Rome foresaw the scale of the Community's role in the world under Articles 110, 111 and 113'.<sup>15</sup> In this regard, the role of the European Court of Justice (ECJ) in clarifying the degree to which the Community's external powers extended to areas governed by internal law should be underlined.

Even today, the exact scope of the EU's exclusive competence remains a recurring debate. As the EU is aiming at ever more ambitious trade deals with third countries, the question of so-called 'mixed' agreements has become a key issue, notably because of the possibility for a national or a regional entity to delay or even block an EU deal, as was the case for the Comprehensive Economic and Trade Agreement (CETA) with Canada in 2016. This situation was largely addressed when the ECJ ruled in 2017 that an FTA negotiated with Singapore could, under certain conditions, be considered as one of exclusive competence – notwithstanding the presence in the agreement of some elements of 'mixed' competence – opening the way for ratification of such deals to take place in the future only at EU level (that is, by qualified majority in the Council and with the consent of the European Parliament).<sup>16</sup>

## Shifting tectonic plates

The tectonic plates of the international order are shifting, and the EU is always running to catch up with what is happening in the world around. The rise of China is completely reshaping the global environment. China is emerging as a new superpower with global ambitions of an earlier age, while at the same time showing increasing mastery of the levers of multilateralism. China is engaged in actively seeking to increase its influence in a wide range of multilateral bodies by placing its nationals in positions of authority, whether that be within the UN, the international financial institutions or even much more technical bodies such as standard-setting organisations.<sup>17</sup> By 2020, China was heading four of the 15 UN specialised agencies, including the FAO and the UN Industrial Development Organization. It has also become the second largest financial contributor to the UN system. China seeks to expand its presence and its role. This is not necessarily a bad thing – we need a China which is engaged and supportive of multilateral organisations – but neither should we be naive: China has an agenda which we, more than likely, do not fully share.

On the other hand, over the last four years, the US has been withdrawing from the multilateral system. President Donald Trump took the US out of the Paris Agreement, the World Health Organization and the JCPOA, the nuclear deal agreed with Iran in 2015 for which the EU was an important driving-force. Joe Biden will undoubtedly reverse that process, but how sure can we be that the 2024 US election will not bring a swing back? The US, once our strongest ally in the defence of the multilateral rules-based order, is no longer such a reliable partner.

This should certainly encourage us to re-invigorate the transatlantic alliance, but we also need to stand more on our own two feet and develop a vision of global governance which is both inspired by the experience of the past and adapted to the realities of today.

Some argue that Europe's economic and cultural influence is significantly decreasing, and that the Western idea of universalism is in serious crisis. Even based on this pessimistic assessment, we cannot conclude that multilateralism is dead, but rather that it needs to be reinvented and that the EU can play a key role in that process.<sup>18</sup>

We will need to seek to build alliances with like-minded partners where we aspire to encourage the development of multilateral cooperation across a wide range of fora. These alliances will not always involve the same groups of countries, but they will always have the same objective: to promote an organised and effective system of global governance based on clear rules.

This paper argued earlier for an incremental approach in terms of the EU presence, but that still means that we need an actual strategy for the promotion of multilateralism and some guidelines for how we propose to proceed in different fora.

The defence of 'effective multilateralism' has been a cornerstone of EU policy since the European Security Strategy of 2003, re-iterated and reinforced in the European Global Strategy of 2016. The EU wishes to see a strengthened international system, a stronger multilateral engagement of a wide range of countries, and a more reliable rules-based order. While these objectives seem straightforward, they often lack a concrete framework, such as a clear definition of the EU's priorities in the multilateral scene or a precise commitment on the reforms necessary for various international institutions. In an increasingly complex system, the EU needs to demonstrate further flexibility and a pro-active attitude.<sup>19</sup>

The dilemma which presents itself is whether the EU is on to a winning ticket for redesigning the world of the future or fighting a rear-guard action for a world whose time has passed. The answer is likely to be somewhere in between. Europe has every interest in a functioning multilateral system. On the other hand, we cannot ignore the Zeitgeist. High Representative Josep Borrell is not wrong when he says that 'The EU has to learn to use the language of power'.<sup>20</sup>

The EU is not a state. It has some of the attributes of statehood – legal personality, some exclusive competences, a currency and a diplomatic service – but ultimately it is a hybrid. It is not well equipped to play a 19th century 'great game' of power politics. And, if we are honest, it will not be equipped to do so for many years to come. So, it must learn to navigate the new world, playing where it can to its strengths and seeking to hide, or at least, dissimulate when it comes to its weakness.

The current coronavirus crisis is a good case in point. Initially, it caught the Union off-guard. The primary competences for public health lay with the Member States. Closing frontiers was not xenophobic, but actually made sense in terms of crisis management of a virus transmitted by human contact. Even countries with internal borders of little meaning suddenly discovered their usefulness (Australia and the US). Europe was playing catch-up.

However, the European Commission soon came forward with ideas. Closing borders was slowing down delivery of essential supplies. We needed green lanes to speed up goods traffic. We needed cross-border cooperation on hospital facilities. Personal protective equipment for medical staff needed to be sourced and shared. We needed a global effort to fast-track efforts to develop and distribute a vaccine. An international pledging conference was convened at short notice in May 2020. Since then, €15.9 billion has been pledged by the EU and its Member States for universal access to tests, treatments and vaccines against coronavirus and for the global recovery.<sup>21</sup>

This shows how the EU can always assert its relevance once it addresses specific problems with the prospect of helpful solutions. This applies at both the European and international levels.

## Conclusion

Notwithstanding its many legal and institutional limitations, the European Union has, since its inception, managed to insert itself rather effectively into the many layered multilateral order which played such an important role in shaping the second half of the last century, particularly where the main focus was economic and financial.

It has had to do so while managing internal constraints (tensions with Member States and between the institutions) and external resistance (frequent reluctance on the part of international partners to accept the presence as an equal of a 'non-state' actor in an intergovernmental construct).

On the safe assumption that no Copernican revolution is imminent in the way the EU organises itself internally, the Union and its institutions are likely to have to continue to navigate pragmatically for the foreseeable future. However, the EU cannot afford to ignore the way in which global politics are starting to reshape the multilateral order. The next five years could be decisive in determining the shape of multilateralism in the 21st century. Building alliances with like-minded partners, especially the US, will be of critical importance – but just as important will be the development of an EU vision of what that new global order might look like, and how we work both within the existing structures, and in new creative ways, to help design and build it.

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## The EU and its far-abroad

- Sebastian Santander, "The Atlantic Triangle in the era of China's rising power in Latin America", in Mario Telò, *China regionalism and interregionalism and the EU*, Fritz Lang, 2020, pp. 1-18

Sebastian Santander

## **The Atlantic Triangle in the Era of China's Rising Power in Latin America**

### **Introduction**

This chapter focuses on the relations that the European Union (EU), United States (US) and China have developed with the continent of Latin America in the post-Cold War period. It looks at the evolution of each of them, the various different influences they have and their impact on Latin American stakeholders.

US policy on Latin America was for a long time governed by the Monroe Doctrine, based on the mantra of 'America for the Americans'. This explains why for decades Washington had considered Latin America (LA) as its own backyard. Hence the US had a policy that allowed the country to exercise an almost discretionary authority over the continent for most of the 20th century.

Starting in the 1980s, the EU and its Member States took initiatives enabling them to project themselves into the sphere of influence traditionally dominated by the USA. They began to play a role there and to develop their presence there. From the 1990s onwards, this resulted in the establishment of an interregional association between the EU and LA based on institutional and multidimensional relations – which they were quick to describe as 'strategic'. The EU rolled out a strategy that was aimed, for instance, at supporting regional organisations in LA to develop regional group-to-group relations. This strategy was intended to enable the EU to increase its international visibility and recognition, to consolidate its economic and commercial interests and thus to build and establish its role as an actor on the Latin American scene in the face of US power there.

US authorities were aware of this growing European presence in their hemisphere, and developed initiatives in response. Fearing that its companies would lose markets in a context of increased globalisation, the US rethought its strategy towards the continent. The aim was to enhance US trade alliances and to further diversify the country's free trade agreements (FTAs) with LA states.

There emerged what could be called a triangular game in the Atlantic area, where the actors' strategies influenced each other. However, over the past 20 years, the world's pace has accelerated, power has become more diffuse and new powers are emerging and making their presence felt on the international stage. This has only served to increase global competition.

Latin America has watched this new expansion and this increased international rivalry stemming from the new and extra-regional actors taking root on the ground in LA. China is the biggest of these actors, which raises the question as to whether its deployment will likely induce the traditional (the EU and USA) regional actors in the Atlantic Triangle to adapt their own behaviour and strategies. Are China's presence and its appeal to LA transforming the Atlantic Triangle into a strategic space with a quadrilateral rivalry?

### **EU-LA Relationship as a Soft Balancing against the USA**

For over 40 years, the EU and its Member States have been forging multiple relations with Latin American states and regional organisations. Their first approaches were made mainly during the 1980s. This coincided with three specific moments: the revival of the Cold War and Central American armed conflicts, a European desire to exert a more political role on the international scene and the goal of Iberian countries to become an interface between Europe and LA (Santander, 2014a). At that time, the European Community, its Member States and Iberian countries sought to act in concert and to play an intermediary role in the armed conflicts in Central America. However, they soon faced the hostility of the USA, which disapproved of Europe's initiative, especially since the Europeans were dissociating themselves from the USA in terms of interpreting the causes of Central American wars and the best way to respond to these conflicts. The USA advocated an interventionist approach, because it considered these conflicts were the result of East-West rivalry. Yet Europe favoured a regional, peaceful and negotiated approach, believing that these wars arose due to poverty and rampant inequality in the Central American societies (Schumacher, 1995, Crawley, 2006). Unlike the USA, the EU and its Member States played an active role in supporting LA's regional peace initiatives.

This episode, marking a trigger for the development of a future European strategy for the whole of LA in the post-Cold War period, underlines the need to study Europe-Latin American relations by taking into account the US role in the region, especially since LA and Europe see their relations with the USA, for both strategic and economic reasons, as one of their first priorities. To understand the nuts and bolts of these relations and how they change over time as well as the motivation of the actors concerned, we must assess Europe-LA relations in the light of the Atlantic Triangle. This triangle must be viewed in the broader context of globalisation and a multipolar world.

Whatever some experts may claim (Valladao, 1999; Bodemer, Grabendorff, Jung and Thesing, 2002; Arenal and Hirst, 2011; Serbín, 2014), strictly speaking

there is no triangular Atlantic relationship fuelled by a 'Western community of values' and by a willingness to cooperate between the triangle's three sides. That is because the Atlantic Triangle exists not as a framework for cooperation with an 'international capacity for action', but is the result of a soft rivalry that has developed between the EU and the USA in relation to LA. This competition is between unequal actors. These actors – to be found in the EU, in LA's countries and regional organisations and the USA – are unequal in power terms. Brussels and Washington both have their own Latin American strategies and they compete with one another, even though the two enjoy a special relationship based on extensive trade and investment as well as considerations of a strategic and military nature as well as political and diplomatic ones. In LA, state and regional actors play with this competition between Europe and the USA as much as possible, in a bid to better balance their relations with the USA and the EU.

When the Cold War ended, the EU came up with a plan for the entire Latin American continent and the USA set about redeploying in this hemisphere by focusing on a more economic and commercial approach. Both strategies were rolled out around the same time and influenced each other. In LA, the US authorities were busily encouraging regional and bilateral relations projects based on the promotion of FTAs (trade but not aid). The idea was to spread the standards and disciplines that underpin the US market economy, and as far as possible to keep outside actors such as the EU at a distance. They set up the North American Free Trade Agreement (NAFTA, 1994). At the initiative of the current Trump administration, this has undergone a facelift and it is now called the United States-Mexico-Canada Agreement or USMCA (2018). They also concluded the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR, 2005). They sought to create a Free Trade Area of the Americas (FTAA) stretching from Alaska to Tierra del Fuego (Argentina). But the failure in 2005 of this initiative pushed the USA to favour a bilateral approach by signing a series of bilateral trade agreements, including with Chile, Colombia and Peru, destabilizing some Latin American regional arrangements and thereby threatening the interregional relations promoted by the EU.

On the European and Latin American side, initiatives were taken to avoid being left behind by US advances in LA. The new expansion of relations between Europe and LA owed much to the many contacts, dialogues and negotiations that took place in the post-bipolar period. These led to an association they called 'strategic'. The association is based on institutional and multidimensional relationships that are themselves based on common principles and interests as well as on numerous themes such as trade, climate, education, energy, gender equality, human rights, democracy, international law and regional integration.

Special attention was paid to regional cooperation and interregional relations, not least because the regional organisations of LA were experiencing a revival from the 1990s. The technical, financial and institutional support for regional integration in LA became a pillar of EU policy on the continent. This regional integration became an 'external federator' for Latin American regional organisations (Santander, 2008). Such support fostered the creation of regional free trade areas, customs unions and common markets, while promoting the adoption of common strategies and institutions as well as the creation of supra-national frameworks. Consequently, the interregional phenomenon whereby two specific regional organisations are seeking to interact as a region (Hänggi, Roloff, and Rüländ, 2006; Söderbaum and Van Langenhove, 2006) took on greater importance in the relations between the EU and LA.

Relations between the EU and LA would be consolidated with the adoption of over a dozen cooperation programmes funded by the EU (EuroSocial, URB-AL, AL-Invest, Euroclima, Eurosolar, WaterClima-Lac, Ralcea, Alfa, Erasmus+, Copolad, @LIS and LAIF). A series of institutional links were forged and strengthened at governmental level (EU-CELAC biannual summits for heads of state and government; EU-CELAC biannual ministerial summits) and parliamentary level (Euro-Latin American Parliamentary Assembly). In addition, many social actors sought to participate in and influence these relationships. This gave rise to a long series of fora for entrepreneurs, social movements and academics. To facilitate contacts between the decision-makers of this association and civil society, the European Union-Community of Latin American and Caribbean States (EU-CELAC) Foundation was set up. Moreover, the EU successfully concluded different types of agreement with Latin American countries and regional groups (framework agreements, free trade treaties, strategic partnerships, cooperation and political dialogue agreements). These agreements were often concluded more or less at the same time as those negotiated by Washington with the LA actors, examples of this being the bilateral agreements signed individually with Mexico, Chile, Colombia, Peru and Central America. These ever-closer ties enabled the EU to become the second trading partner for LA after the USA, the first development aid provider and the main external investor. According to the European External Action Service (EEAS), in 2016, European investment stock on the Latin American continent reached EUR 825.7 billion, more than the investment stock in China, India and Russia combined (EEAS, 2019).

Consequently, the manner in which Washington moves its pawns in LA has always been viewed with unease in Brussels. The European authorities fear that the way the US deploys its bilateral or regional strategies in LA has the effect of weakening Europe's presence on that continent, while undermining Europe's



economic and commercial interests as well as those of its businesses. Many European companies (German, British, Spanish, French, Italian, Dutch and Portuguese) have a presence on that continent and boast significant market shares in the automobile sector (Fiat, Peugeot, Renault and Volkswagen); large retailers (Carrefour, Casino, Jumbo, Makro and Royal Ahold); energy (British Gas, Endesa, Fenosa, Iberdrola, Gas Natural, Repsol, Shell and Suez); telecommunications (Telefónica and Portugal Telecom); banking and insurance (ABN-AMRO, Banco Portugues de Investimento, BBVA, BSCH and Mapfre); aviation (Air Europa, Air France, Alitalia, Ibéria, Lufthansa and TAP) and chemistry (BASF). Latin American governments have always worried about the USA being overly present in their continent and weakening their external relations and ensuring they become locked into overdependence on Washington. This partly explains the failure of the FTAA. As a result, European and Latin American governments typically view their interregional relations as a sort of 'soft balancing' of US influence in the region (Santander, 2008).

### **The Atlantic Triangle Facing the Shift of Global Power and the Rise of China in LA**

During the last 20 years, the shift of global power has become one of the key trends of international relations and particularly of the international political economy. While the 1990s were viewed as a decade when the USA had its 'unipolar moment' (Krauhammer, 1990/1991; Battistella, 2011), the following years saw a growing multipolarisation of the international stage. This spread of power worried the USA and the EU and its Member States, because to some extent it came at the expense of their power and their economic and commercial interests in the world. In particular, this redistribution of power has clearly led to the rise of new powers seeking to increase their presence in world affairs. Their aim is to maximise their interests, diversify their external relations, establish new alliances and encourage changes in international economic and political structures, with a view to rebalancing the new distribution of power to their advantage (Santander, 2009, 2013 and 2014b).

Over the last 15 years, the relations of the EU and the USA with LA have grown weaker. However, as world power has become more diffuse, Asian actors have expanded into LA, notably China, South Korea, Japan and India. This expansion is happening in many sectors and also involves other actors such as Iran and Russia. Actors like these are negotiating agreements with a series of LA countries in fields such as trade, energy and transport. They are also forging political and military alliances and, like Russia, are holding joint military

manoeuvres in the region with LA countries, such as Venezuela. Moreover, Russia and its companies are investing billions in this country, in the form of loans or investments (around USD 17 billion) (Mandraud, 2019). Moscow has sold weapons to Venezuela, rescheduled part of the country's debt and supplied bomber aircraft. All of which have only stoked fears in the USA and the EU. Turkey also figures among the extra-regional actors on the Latin American continent. Trade between the two grew substantially from USD 1 to 10 billion between 2000 and 2017. Erdogan's Turkey wants to boost its trade through FTAs, which it is currently negotiating with Colombia, Ecuador, Mexico, Peru and Central America. It is also developing gold trade with Venezuela. Over the last decade, the number of Turkish embassies in LA has more than doubled (from six to 13), and the Turkish Cooperation and Coordination Agency (TIKA) has opened an office in Colombia and Mexico.

The expansion of all these extra-regional actors in LA has been uneven. What concerns Europe and the USA most, economically and commercially, is the presence of China. Its expansion in the region is the most impressive, especially as this has happened in an extremely short period of time. Over the past 15 years, trade between China and LA has multiplied by a factor of 25, from USD 10 to 250 billion. Beijing has negotiated FTAs with several countries on the continent and notably with Chile, Costa Rica and Peru. It is also working on sealing commercial agreements with Colombia, Ecuador and Panama.

For many years, the USA and the EU were, respectively, the first and second trading partners of LA. Today, China is ahead of Europe and in some cases the USA. Indeed, while LA is China's fourth trading partner, the latter has become the second largest partner on the continent and the first for Brazil, Chile and Peru (Müller, Wouters, Defraigne, Santander and Raube: 2017). It is a key customer for LA's raw materials and commodities (crude oil, copper, iron and soybeans), while LA buys mainly high-value-added manufactured products from China (household goods, technologies, appliances, toys, clothing and more) (OECD, 2015). This creates a centre-periphery relationship like the ones sealed by Europe and the USA respectively with LA. Chinese investments have also poured into LA, focusing mainly on sectors such as mining, oil and transport infrastructure (ports, airports, roads, pipelines, gas pipelines and railway lines). According to the ILO, Chinese investments on the mainland reached about USD 200 billion, creating 1.8 million jobs (Dussel and Armony, 2017:47). In the space of a decade, the Chinese government has also made large loans, totalling USD 100 billion, increased the number of high-level political visits to LA and woven a network of political and institutional links, in particular with several regional organisations. To sustain its presence and strengthen its interests within LA, Beijing has joined

the Inter-American Development Bank (IDB), whose annual meeting is now also held in China. China also has observer status with the Organization of American States (OAS) and the regional organisation Pacific Alliance (Chile, Colombia, Mexico and Peru), and participates in various multilateral fora. These include the dialogue between China and the Southern Common Market (Mercosur), the Caribbean-China Economic and Trade Cooperation Forum and the China-CELAC Forum.

Recently, the Chinese government has been eager to expand its plans for a 'New Silk Road', known as the 'Belt and Road Initiative' (BRI), to the continent of LA. The initiative aims to reshape the geography of world trade in line with Beijing's vision, so as to promote major infrastructure projects and to further facilitate the delivery of Chinese goods to the four corners of the globe. It is a project with land and maritime parts. The first part seeks to connect China to Europe by land and rail, and the second part makes use of seaways to create an economic zone that would extend westward from south-east Asia to the Mediterranean through the Indian Ocean, The Gulf and the Suez Canal and then to the East by extending its links to LA.

To implement this twin project, the Chinese authorities rely on financial institutions and instruments. They have also set up the Asian Infrastructure Investment Bank (AIIB), which comprises almost 90 countries including Brazil, Bolivia, Chile, Ecuador, Peru and Venezuela as well as a Silk Road Fund with a capital of USD 100 and 40 billion, respectively. The goal is to finance the construction of thousands of roads, ports, bridges, railways, gas pipelines as well as water management facilities and power plants. Panama, which has a strategic commercial positioning thanks to its transoceanic canal, is now becoming the gateway to the Silk Road in LA. In 2017, it even broke off diplomatic relations with Taiwan – a movement started by Costa Rica in 2007 and followed by El Salvador and the Dominican Republic in 2018 – to underline that Panama recognises there is only one China and hence is playing Beijing's game. Washington was deeply disappointed by this, as shown by the recall of its ambassadors from Panama, El Salvador and the Dominican Republic. It disapproved of this relationship and denounced the 'Chinese targets' in Central America and in particular in Panama, a nation until just recently considered a key part of the American zone of influence in the region. By making this highly political decision to break diplomatic relations with Taiwan, Panama has succeeded in winning the favour of Chinese leaders and investors.

This move reflects how, despite the official Chinese line exalting the principle of noninterference in the internal affairs of states, China's international projection strategy still comes with a political mindset. Given that China is expanding,

increasing and diversifying its relations and interests in the world, and that since the arrival of Xi Jinping in power (2012) it is abandoning its low-profile diplomacy for a more proactive foreign policy that some have called 'striving for achievement' (Yan, 2014), the country is increasingly likely to get caught up in politics. The Venezuelan crisis is a clear example of this evolution. Beijing – just like Moscow, Tehran and Ankara – has chosen to support Nicolas Maduro as the only legitimate president of Venezuela. This is a political decision because, as some Asian media have reminded us, President Maduro and his predecessor have always been outspoken in their anti-Americanism, thus making them influential political allies for Beijing in its growing rivalry with Washington (Huang, 2019).

Due to this situation, China is in political disagreement with Washington, but also with the vast majority of European and Latin American governments that have taken a stand in favour of the self-proclaimed president, Juan Guaidó, and the presidential elections organisation. This organisation is also advocated by the European External Action Service (EEAS, 2019). China has major economic interests in Venezuela, which boasts the world's largest oil reserves and huge mineral reserves. Various banks, such as China Development Bank and China EximBank, have over the past 10 years granted loans to Caracas of USD 62.2 billion, making Venezuela the biggest Latin American recipient of Chinese loans (Gallagher and Myers, 2017). China is also the main investor in Venezuela's oil production and the chief importer of Venezuelan raw materials. Caracas reimburses its debts to Beijing by sending oil to China on a daily basis. Beijing therefore fears that a regime change would jeopardise China's alliances and interests in the country. However, Maduro's Venezuela is also at the mercy of the dependence it has developed with China.

Chinese authorities are, much more than in the past, engaged in a power policy and intend to defend their interests, including in the geopolitical scene and LA, which the USA seems to continue to regard as its zone of influence. This was notably highlighted by a statement from the US National Security Advisor, John Bolton, who believes that his country has a 'special responsibility' in Venezuela because it is in the USA's hemisphere. In a way, China is gradually moving into LA as a counterweight to the USA and Europe, and is thus inviting itself into the rivalry 'game' that is expanding between the Atlantic Triangle's actors.

It is not surprising then that China's ongoing breakthrough is a worry for both the USA and Europe, especially since China believes it has landed in LA to stay there. In other words, the Latin American continent has acquired strategic importance in the eyes of China, which regularly adopts Policy Papers (2008; 2016) as well as Cooperation Plans and Action Plans (2015, 2017, 2018). Beijing is counting on a long-term relationship with the continent. Growing numbers of

senior Chinese officials are visiting the region to consolidate existing links with LA regional platforms, to organise major summits of heads of state and government with all the region's countries, and to intensify its railways diplomacy to interconnect the Atlantic and Pacific coasts. A further goal for China is to accelerate the conclusion of FTAs, with a view to achieving trade with LA worth up to USD 500 billion as well as to invest USD 250 billion on the continent by 2025.

Nevertheless, China is also relying on LA to pursue what it views as a key strategic objective: being recognised as a market economy. Currently, Chinese authorities are in a tussle with Europe and the USA, who deny the country the status of a market economy. As a result, China is looking elsewhere for support and has succeeded in getting countries like Argentina, Brazil, Chile, Peru or Venezuela to recognise it as having a market-economy status. As a result, these countries can no longer impose anti-dumping measures on China.

China's growing presence in LA also partly stems from Europe and the USA paying less interest in the continent over the last decade, plus the fact that Latin American countries have been very enthusiastic about relations with China, paying more attention to this country than have Europe and the USA. Although this relationship has helped to support a series of economies on the continent, it has also been detrimental to LA, since the continent has steadily increased its dependence on the Chinese economy and is therefore more vulnerable. So when China sneezes, LA catches a cold. For instance, when China buys less and commodity prices drop – as happened in 2015 and 2016 – LA's economies feel the effects directly. This dependence also helps to accelerate the process of reprimarisation and de-industrialisation of several economies on the continent (Chaponnière and Salama, 2016) and poses serious challenges to regional integration of LA (Ortíz Velásquez and Dussel Peters, 2016).

One concern is beginning to emerge in several Latin American countries. They see their margin of manoeuvre increasingly reduced by this new dependence on China. As a result, they believe they need to work harder to diversify their economic and commercial relations. Today, the decline of the left due to the arrival of right-wing governments in LA is sometimes accompanied by a certain fear about Chinese power and the sense that relations with the EU should be revitalised as a way to reduce their growing dependence on China. Europe also has concerns about this Chinese presence, as indicated by some representatives of the European institutions who have said that 'we cannot leave Latin America to China'. The President of the European Parliament, Antonio Tajani, has repeatedly expressed views that for years Europe has focused on itself and during that time it has lost ground in LA to the benefit of China. European

decision-makers feel that there is a need to inject a new impetus to EU's relations with LA (Santander, 2019).

### **The Atlantic Triangle at the Time of 'America First' Policy**

Responding to a world in turmoil as well as the spread and decentralisation of global power, the Trump administration proposed an external agenda based on the principle of 'America First'. Hence, the USA's international projection policy is notable for challenging the two other sides of the Atlantic Triangle as much the new powers. Indeed, this policy has typically undermined relations with the country's transatlantic neighbours and allies, while allowing the USA to evade its international commitments (acting against the WTO, US withdrawal from several multilateral deals: the Paris agreement on climate change and the Iran nuclear deal, etc.). This is more disruptive to a world order that Washington now views as the one that has supposedly weakened American power and promoted the growth of new powers, particularly the major exporting actors such as the EU and China. From a US viewpoint, the world is a zero-sum game, made up of winners and losers. The 'America First' policy is based on the idea that in order to be one of the winners, a country must have a more nationalistic, unilateralist, and unpredictable policy, and must oppose the multilateral order based on compromise, negotiation, cooperation, and respect for international law.

This conception of international relations based on power relations, the reason of state and the unilateral use of force, has led to the USA strongly contesting the usefulness and effectiveness of international and regional organisations. This has called into question the institutionalisation of multilateralism in all its forms. The Trump administration emphasises force over the law, relies on trade wars, and believes that because the USA is powerful, trade wars are 'good and easy' to win. This approach has also encouraged the USA to bully the other two sides of the Atlantic Triangle and to tackle head on many countries in LA, Asia, and Europe without distinction. Washington has begun to question its traditional alliances, including the one with the EU. While the USA has long supported the construction of Europe, it is now betting on its destabilisation or even its disintegration. In the eyes of the Trump administration, the EU is seen – just like China – as an 'enemy' and a 'competitor' that threatens American economic and commercial interests. The EU is among the main players targeted by the Republican-led government's neo-mercantilist policies, underlining a radicalisation of commercialism freed from reciprocity and multilateralism. Such policies, based on a purely transactional strategy, are designed to benefit the US internal

market, to promote its own companies' exports, and to discourage imports by imposing customs barriers (Santander and Vlassis, 2018a).

For the Latin American side of the Atlantic Triangle, the USA has been using aggressive rhetoric and hostile measures. Besides the decisions taken to unravel the Obama administration's legacy of normalising relations with Cuba, the Trump government has taken a radical stance against Venezuela and Nicaragua. With Mike Pompeo, Secretary of State, and John Bolton, National Security Advisor – supported by the influential Republican and interventionist Congressmen Marco Rubio and Mario Díaz-Balart – the Trump administration seems to be increasingly drawn to the theory of 'regime change' in order to confront the Cuban, Nicaraguan, and Venezuelan regimes that Washington has dubbed a 'troika of tyranny' (NSC, 2018) because they supposedly represent a threat to the national security of the USA by spreading anti-Americanism in Latin American societies. The USA has fuelled fears and discontent on the continent and cooled the relationship between Washington and LA. This is due to US controversial comments on Mexico and El Salvador and their respective nationals, attacks on the North American Free Trade Agreement (NAFTA), and withdrawal from the Trans-Pacific Partnership (TPP), plus the adoption of protectionist measures on steel and aluminium. Not to mention the Trump project to build a wall on the border between Mexico and the USA and to end Temporary Protected Status (TPS), which, for example authorises eligible nationals of Central America (El Salvador, Honduras, and Nicaragua) to live and work in the USA for a limited period of time. Paradoxically, the USA's strategy in LA is based on confrontation and unilateral actions, whereas the continent has since 2015 been shifting politically to the right. This shift has resulted in the election of leaders whose agenda is to work for closer relations with Washington. Not since the late 1990s has LA had so many governments in favour of relations with the USA (Santander, 2018b).

However, actors on the international scene are being hassled by the 'America first' policy. LA, the EU, and China have all been the target of the US' confrontational attitude. This has aroused their distrust and encouraged them to diversify their respective external relations and to revalue other alliances. China's presence is being singled out by the US authorities, who say that China is increasingly becoming a 'revisionist power' that seeks to challenge 'the values and interests' of the USA in the world (the White House, 2017:25). This explains Washington's opinion that China's presence in LA is a 'threat to the interests of the countries of the Western Hemisphere'. The US authorities want to take advantage of the coming to power of right-wing governments in Argentina, Brazil, Chile, Colombia, and Peru, in particular because some of them fear the presence of China's power on the continent, as shown by the statements of the Brazilian right-wing president,

Jair Bolsonaro, who has stated: 'The Chinese are not buying in Brazil, they are buying Brazil'. Washington seeks to develop closer relations with these countries in the hope that their right-wing governments could be useful to counter Chinese power in the region. Yet China remains undeterred and has deepened its relations with LA, as shown by the adoption of its second policy paper on LA, published just one week after the election of President Donald Trump. Other indicators include the ramping up of Chinese official visits to the region; accelerated trade negotiations with LA countries; Chinese anchorage in countries historically under American political, economic, and military influence, such as Panama; and extension of the 'BRI to LA'. Beijing is therefore taking advantage of the US attacks on LA countries, with the result that China is increasingly pushing on the door of the Atlantic Triangle, whose shape is constantly changing and increasingly resembles a square.

### **The EU-LA Relationship: Towards a New Awakening?**

The Trump administration's cavalier attitude is also changing the configuration of the EU and LA relationship. Especially since the US government has little interest in developing the kind of relationship with Europe and the LA where everyone listens to each other. Moreover, the USA believes that Europe and LA need it more than the USA needs them. US animosity and unilateral measures are partly responsible for closer relations between the EU and LA, as both these sides view cooperation, free trade, and multilateralism as ways to limit political relations based on power, thus helping to create a world that is less unpredictable and more balanced. Although the 'America first' policy is encouraging closer links between Europe and LA, it should be said that these relations have been grounded in a new context for several years. For in LA and Europe, there has been a political desire to renew their association.

However, over the last 15 years that relationship has sometimes been rocky. During this period, almost all LA and EU summits with heads of state and government were notable for their tension and occasionally even conflicts. The two sides struggled to find common ground at these summits, which were intended to sketch out the general lines of their relationship. When the EU and its Member States proposed to extol respect for multilateralism and human rights, LA's decision-makers criticised the proposal's inconsistency: they pointed to the European governments that had supported the US' illegal intervention in Iraq. When the EU and its Member States defended the need to fight international terrorism, LA countries retorted that this was not a priority for them. When the



EU brought up the issue of social cohesion, several LA governments suspiciously viewed the European proposal as a way to conceal protectionist aims.

Ideological divisions also affected the association. The political left-turn of several LA countries favoured the development of an economic nationalism that was critical of the liberal economic policies promoted by the EU in its relations with LA. In turn, the EU and its Member States disapproved of the protectionist or nationalisation policies of various LA countries' economic sectors and, above all, the strategy of several LA countries to take back control of national energy resources. Moreover, China's growing presence on the continent, plus the ever-intensive policy of extractivism supported by Chinese investments, effectively diverted LA governments' attention during the decade of that left-turn.

Lastly, the fragmentation of LA regionalism and the EU's bilateral strategy further divided the two sides. For many years, the EU has promoted a strategy of relations with the LA regional blocs. However, the difficulties faced by LA regionalism prompted the EU to focus more on promoting individual relations with states. The European institutions were disappointed by the lack of progress in LA integration, and several LA countries were unhappy with the EU's criticism or its change of strategy (Santander, 2009a).

Today there is a more favourable scenario for relaunching relations, especially because of changes within LA and the relative ebb of nationalist and protectionist economic policies there. The return of pro-market policies and open regionalism in the region, alongside concerns about the Trump government's protectionist and unilateral policies, have revived and accelerated regional and inter-regional cooperation in LA. This trend is seen in a willingness to bring the Pacific Alliance (PA) closer to the Southern Common Market (Mercosur). In Europe, these initiatives are enthusiastically welcomed. The EU has a clear interest in the PA as well as its liberal and economic openness policies. Germany, Spain, and France are pushing for the EU to get closer to the PA. In addition, 21 of the PA's 52 observer states are EU countries. The EU's EEAS has begun to hold meetings with the foreign ministers of the PA countries. According to EEAS officials, the next step will be the signing of a memorandum of understanding with the PA. The EU and European businesses have also welcomed the effort to get closer to MERCOSUR by the 2019 trade arrangement. They would like to see a convergence of the two regional schemes, as this would create economies of scale. Moreover, according to European stakeholders, gradually reducing differences in regulation – such as for rules of origin – would promote the development of global value chains. All the above underlines the European authorities' renewed interest in their relations with LA.

European authorities know that in recent years Europe's attention has been diverted by EU enlargement; geopolitical events in nearby regions (war in Georgia, crisis in Ukraine, annexation of Crimea by Russia, and political conflicts with Moscow); infatuation with the Chinese market; and a series of internal problems (crisis in the Eurozone, social crisis, refugee crisis, growing Euroscepticism, and a crisis of political representation in Europe). They are now trying to pay more attention to LA. This is reflected in the speeches and initiatives taken by the EEAS and the High Representative of the EU for Foreign Affairs and Security Policy, Federica Mogherini. Since starting her duties, she has made many official visits to LA, including more than a dozen to countries such as Argentina, Chile, Colombia, Cuba, and Mexico, and she has visited local multilateral organisations such as the Economic Commission for Latin America and the Caribbean (ECLAC). Europe's official line is intended to be more incisive and proactive, calling for stronger partnerships with LA and the Caribbean (EEAS, 2016a:37). While there is tension in the relations with the USA, European authorities were quick to declare that "transatlantic relations are not confined only to the United States, but also include [...] all of Latin America" (Mogherini, 2017).

This official line has been accompanied by a series of initiatives, among them the strategy to normalise relations with Cuba, which concluded in 2016 with the Political Dialogue and Cooperation Agreement (PDCA) between Brussels and Havana; the resumption of trade negotiations between the EU and Mercosur after several years of stagnation; and initiatives to modernise a series of agreements linking the two sides of the Atlantic and, in particular, the agreements with Chile and Mexico as well as the visa waiver between the EU and Colombia and Peru. As a result, the Europe-LA side of the Atlantic Triangle would appear to be engaged in a new strengthening process, while facing the challenges of Chinese penetration in LA and the 'America first' policies of the Trump administration.

## **Conclusion**

Until the early years of the 21st century, China maintained modest relations with the LA continent. South Korea, Japan, or Taiwan had much deeper relations with LA than did China. However, the power projection strategies of these extra-regional actors remained low key and had no major impact on the strategies deployed by the EU or the USA in LA or the Atlantic Triangle. Consequently, the only external actors with an active strategy to influence LA were the USA and the EU.

Although well aware of the US' dominance and influence in LA, Europe was not afraid to develop, beginning in the 1980s, its presence on that continent. Meanwhile, it maintained close economic, commercial, as well as political and strategic relations with Washington. The relations of both the EU and the USA with LA are not developed separately, nor do they evolve in an international political vacuum. Thus Europe-LA relations and pan-American relations are conditioned by the wider framework of the Atlantic Triangle. Contrary to the prevailing interpretation, this triangle is certainly not a triangular relationship based on a framework of shared values that would allow its actors to act in a concerted manner internationally. Instead, it is a strategic competition environment that determines the play of LA actors and their relations with the EU and with the USA.

With the shift of world power and the rise of new actors, the Atlantic Triangle has become a strategic projection space for other extra-regional actors. This is especially true for China, which is seeking to advance its pawns. Sino-Latin American relations are growing exponentially. In just 15 years, the relationship between China and LA has moved from insignificant to predominant. Powerful China has become an investor and a key economic and commercial partner for the LA continent. By comparison with the other leading players in the Atlantic Triangle, China has emerged as a challenger, because part of the market shares it gains in LA is at their expense. China's increasing weight and presence in LA have made the game and power relations in the Atlantic Area more complex.

In theory, the arrival of new extra-regional actors in LA should be helping to open up the continent. China's presence ought to create opportunities and margins of manoeuvre for LA actors, in their relations with the other leading players in the Atlantic Triangle and in their reciprocal relations. Yet in practice, the opposite has proven true. The relationship between China and LA countries is highly asymmetrical. It perpetuates a pattern of economic and commercial exchange with a strong north-south footprint, like that developed with the EU and the USA. Moreover, LA countries are developing a new dependency, making them vulnerable to upheavals in the Chinese economy. Finally, the close relationship that LA is building with China also has a political fallout. Especially as Beijing is taking advantage of the asymmetrical relations with the continent to stake claims that, whether implicitly or explicitly, it considers to be highly strategic. China's growing economic grip on more and more LA countries has therefore pushed them to recognise China's market economy status or to break their respective diplomatic relations with Taiwan, thus advancing the 'one China' policy. The LA continent has thus become a space to expand Chinese power.

The growth, consolidation, and assertiveness of Chinese power in international relations over the past 20 years have been highly influential on LA actors, offsetting European and American strategies for the continent and transforming the Atlantic Triangle into a strategic space of quadrilateral rivalry.

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## **Relations with rising and major powers**

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Steven Blockmans

## EU-US Relations: Reinventing the Transatlantic Agenda

### Damaged...

President Donald Trump's unabashed unilateralism has hurt EU-US relations. He has called the European Union a "foe" and "worse than China, just smaller" (Kwong, 2018). He celebrated Brexit and has encouraged other member states to leave the bloc. He has bullied democratic leaders such as Angela Merkel and embraced autocrats like Viktor Orbán. The latter has not helped the EU institutions in their search for supranational mechanisms to enforce compliance with rule of law conditions for membership.

Not only did the 45th President of the United States refuse to re-engage with the transatlantic trade and investment partnership (TTIP) agenda, which Barack Obama abandoned, but he also imposed "national security" tariffs on steel and aluminium imports from European allies and threatened that more might follow.<sup>1</sup> He also subjected European businesses to American extra-territorial jurisdiction more enthusiastically than any of his predecessors, in particular over his withdrawal of the US from the Iran nuclear deal (see Stoll et al., 2020).

Trump's retreat from the Paris climate deal, the Intermediate-Range Nuclear Forces treaty, the Open Skies agreement, and the World Health Organization (WHO) as well as his attacks against the WTO appellate body have rocked many Europeans' belief that they share

common ground with their most important ally. In fact, Trump has been disdainful of European priorities, from climate change and efforts to improve global health, to human rights and development assistance.

As a result, US relations with the EU have become largely dysfunctional, and this comes at a time when unprecedented global health, economic and security challenges demand robust transatlantic leadership.

To be sure, transatlantic disarray is not solely due to Trump. After more than a decade of crisis management, the EU has seemed as likely to fall apart as to come together over the COVID-19 pandemic. The coronavirus crisis has ravaged societies and economies. Whereas EU member states reached a political agreement on a historic recovery package and a seven-year financial framework, those debates have also revealed ongoing differences on rule of law conditionality in the disbursement of funding that could widen once the worst of the pandemic is over.

### ...but not beyond repair

A second term for Trump would have almost certainly meant a further erosion of US democracy and the post-war liberal order. The EU would no longer have been able to put off facing the consequences of having an illiberal, anti-trade partner across the pond.

With Joe Biden's victory, there is at least a four-year window to revive 'an alliance of democracies', face up to authoritarian powers and closed economies that exploit the openness on which American and European societies are built, and shape those parts of multilateralism that serve transatlantic interests.

During the campaign, candidate Biden emphasised his long-standing belief that "Europe is the cornerstone of our engagement with the rest of the world and is the catalyst for our global cooperation".<sup>2</sup> As a passionate transatlanticist and multilateralist, Biden will instinctively turn to the EU as America's indispensable partner of first resort when it comes to addressing internation-

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<sup>1</sup> Clarification can be expected from the various WTO panel reports on complaints against the US tariff measures on steel and aluminium, which are due to be circulated soon. This includes complaints by China – DS 544; India – DS 547; the EU – DS 548; Canada – DS 550; Mexico – DS 551; Norway – DS 552; the Russian Federation – DS 554; Switzerland – DS 556 and Turkey – DS 564.

<sup>2</sup> This resonated with the Remarks by Vice President Joe Biden to the Munich Security Conference (see United States Office of the Vice President, 2013).

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al challenges, even if that partner has already made it clear to the incoming administration that it will not be dictated by the United States:

The EU and the US should pursue common interests and leverage our collective strength to deliver results on our strategic priorities. We should always look for solutions that respect our common values of fairness, openness and competition – including where there are bilateral differences. (European Commission, 2020, 2)

### America, heal thyself before you attend to others

The 46th President's most immediate challenge will most likely not be abroad but an unenviable confluence of crises at home: COVID-19 vaccination management, post-pandemic economic recovery and deep social tensions. As the 6 January storming of the Capitol building by a mob of Trump supporters so brutally illustrated, Joe Biden will also have to contend with a much stronger radical conservative opposition than Barack Obama ever did.

Despite the many doubts sown about the American election process by Donald Trump and the legal challenges that remain, US democracy has survived its experiment with proto-fascism and will be strengthened in the next four years. This will be a boon for democratic forces around the world, especially in Europe. Recent developments in certain EU member states have shown that democratically elected leaders will try to use majoritarian rule to curb freedoms, overstep the constitutional limits of their powers, protect the interests of their cronies, and recycle themselves through seemingly free and fair elections. A Biden presidency is expected to strike up alliances that will solidify America's international role and put pressure on the illiberal and undemocratic leadership of third countries. This is good news for the EU and its drive to stop the corrosive effect of authoritarian tendencies within the bloc and strengthen rule of law mechanisms at the supranational level.

America's partners should therefore not be surprised, and should in fact welcome the likelihood that Biden's initial focus will necessarily be on domestic challenges. After all, the US is unlikely to be the type of consistent, outward-looking partner that Europeans need and want if it does not beat COVID-19, generate economic growth and work to heal its deep domestic divisions. And even if the Democratic Party holds a majority in both houses of Congress, the domestic forces that the Biden administration will have to contend with are likely to slow

down the implementation of his ambitious foreign policy agenda.

### Reinvent transatlantic relations

While the era of American exceptionalism may be over,<sup>3</sup> a Biden Presidency will help to restore a balance of power and could help to reboot multilateralism. But even if the US rejoins the WHO, the Paris climate accords and the Iran nuclear deal, and works to strengthen the WTO, Biden's foreign policy will be more assertive and transatlantic in response to popular domestic demand. Europeans should not kid themselves into believing that transatlantic relations will return to the status quo ante. In all but name, the rallying cry of "America First" is here to stay. As a presidential candidate, Biden has vowed to prioritise investment in US green energy, childcare, education and infrastructure over any new trade deals. He has also called for expanded "Buy American" provisions in federal procurement, which has long been an irritant in trade relations with the EU. The EU will likely be forced to muster all the political will and resources at its disposal to carve a third way between the US and China, an issue which enjoys strong bipartisan support in Washington.

A new transatlantic agenda will demand more, not less, of Europe. The European Commission and the EU's High Representative for foreign affairs and security policy have understood this. In a call on the US to seize a "once-in-a-generation" opportunity to forge a new global alliance, they have made a detailed pitch to bury the hatchet on the sources of tension from the Trump era and meet the "strategic challenge" posed by China (European Commission, 2020, 1, 8). The idea is to revitalise the transatlantic partnership by cooperating on everything, from fighting cybercrime and shaping the digital regulatory environment, to screening sensitive foreign investments and fighting deforestation. An EU-US Summit in the first half of 2021 could be the moment to launch the new transatlantic agenda.

### Dealing with China

The new EU-US Dialogue on China is expected to provide a key mechanism for advancing shared transatlantic interests and managing differences on the best way forward. Topics include biomedical research, a green trade agenda, and – more acutely related to the system-

<sup>3</sup> Richard Haass, former Director of Policy Planning for the United States Department of State and a close advisor to Secretary of State Colin Powell in the administration of Republican President Bush Jr., tweeted that "If the post-American era has a start date, it is almost certainly today", i.e. 6 January 2021.

ic rivalry with China – securing 5G infrastructure across the globe, opening a dialogue on 6G, widening cooperation on digital supply chain security through objective risk-based assessments, cybersecurity, free data flow on the basis of high standards and safeguards, cooperation on artificial intelligence, and fair taxation in the digital economy.

There is a genuine willingness in Europe to work with the US on the strategic challenges posed by China, but not at all costs. The provisional conclusion of talks on the Comprehensive Agreement on Investment (CAI) ahead of Biden's inauguration shows that the EU, led by Germany and France, is bent on protecting its commercial interests and will not slavishly follow a hegemonic US in decoupling from China. But by going soft on fundamental rights and enforcement mechanisms in the draft CAI,<sup>4</sup> in particular ILO standards on forced labour (cf. camps for Uighurs in Xinjiang province) and UN protected freedom of speech and assembly (in Hong Kong and elsewhere), the European collective has handed a victory to Beijing by splitting the aspired value-based transatlantic partnership. As a self-proclaimed “geopolitical” actor, the EU may have been shrewd in applying the realist approach of “principled pragmatism” before a Biden administration could affect some of its commercial interests,<sup>5</sup> but it still suffers from strategic myopia in defining relations in an increasingly bipolar world based on ideological lines (democracies vs authoritarian regimes). This episode places the new EU-US Dialogue on China on the back foot before it has even begun.

The news that, from the get-go, the Biden administration wants to sit down with its European allies to end the tug-of-war on trade is very welcome.<sup>6</sup> Resolving these and other issues with a commitment to improve the transatlantic level playing field is key to setting high standards, making critical supply chains more resilient and addressing China's unfair trade practices. And while the CAI is a meritorious attempt at getting Beijing to play by the rules, the EU would have stood stronger after consultation and in concert with the Biden administration.

## In conclusion

The greatest danger to a vital transatlantic bond will be Europe's temptation to believe that the relationship can go back to “business as usual”. That would be a mistake. The EU-US alliance as we have known it is dead. A Biden administration will not want to “restore” the transatlantic partnership; it will want to reinvent it for a world full of economic, climate and health challenges, more diffuse power, rapid technological changes, greater insecurities and intensified global competition. Fortunately, this is well understood at EU headquarters and most of the member states capitals. But coming up with a common approach will hinge significantly on the two economies' ability to bridge existing divides over trade and technology policy. Using their combined influence, a transatlantic technology space could well form the backbone of a wider coalition of like-minded democracies.

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4 An official version of the draft text of the agreement and the declarations attached to it were not available at the time of writing. The assessment here is based on key provisions leaked to the press. See e.g. Brunsdon et al. (2020).

5 The concept is enshrined in the High Representative's Shared Vision, Common Action: A Stronger Europe (European Union, 2016).

6 See the interview CNN's Fareed Zakaria (2021) conducted with Jake Sullivan, Biden's national security advisor.



## The EU and Russia: A New Foreign Policy for the “Carcass”?

*Marc Franco*

**Without any irony: the decision of High Representative (HR) Borrell to go to Moscow in early February was courageous and correct. The discussion on EU-Russia relations at the Foreign Affairs Council (FAC) of 22 February and the conclusions of that meeting were a success. But that does not mean that the EU should not drastically improve its foreign policy game.**

On the visit: The relations between the EU and Russia were not brilliant even before 2014 but came to a complete standstill after the annexation of Crimea and the Russian interference in Eastern Ukraine. It was laudable of HR Borrell to attempt to explore possibilities for gradually thawing the frozen relationship in a face-to-face meeting with Russian Foreign Minister Lavrov. He did not merit the undiplomatic reception he received.

On the FAC: EU Member States are dramatically divided on Russia, and it was Lavrov’s intention to deepen the split further. He did not succeed: the Council unanimously condemned the Russian attitude and the way the Navalny affair has been

handled, and agreed on additional sanctions. However weak these measures may seem, the fact that they were adopted unanimously proves that within the EU there still is a willingness to develop a common foreign policy. Even on what is perhaps its most difficult relationship.

However, let us not overdo the self-congratulation. The events of 5 February are important, not so much because of the rude way in which Lavrov slammed the door in Borrell’s face, but more because (once more) Russia put the finger on one of the constituent weaknesses of the EU: its foreign policy. Russian diplomacy knows the EU construction very well – in particular the ambiguities in the distribution of competences between the Union and its Member States.

It is in itself a small miracle that the common position on Russia decided in 2014, under the emotional pressure of the MH-17 disaster, and the Five Guiding Principles of March 2016 have been reiterated without much discussion every 6 months since then, and have been accompanied by a progressively stricter sanctions regime. The divergences between Member States have

however rendered any substantive discussion on Russia impossible. Perhaps the sanctions can be prolonged so easily, though, because they do not really “bite”, nor do they hinder Member States in the further development of economic relations with Russia.

Where do we stand with the Common Foreign and Security Policy (CFSP), taking into account the discussions during the last FAC? One can either take pride in what has been accomplished since 1993, or one can deplore how little we have achieved. Perhaps the discussion needs to be pushed to a different level: is a common foreign policy *überhaupt* possible in the present EU configuration, and what does the development of an effective CFSP require?

### **EU INTEGRATION AND FOREIGN POLICY**

To understand the shortcomings of CFSP, it is useful to compare it with economic integration in the EEC/EU since the 1950s.

CFSP was born 1993 and fast developed its own institutional dynamics, formalised in the successive Treaties: creation of the High Representative, the Common Security and Defence Policy (CSDP), and the diplomatic service (EEAS). The institutional development is remarkable. The problem is that substantive foreign policy positions and actions did not follow the institutional development. Creating institutions and mechanisms is not enough to generate a common foreign policy. Something else is needed.

The intentions behind the CFSP were laudable and reflected the lessons of the early 1950s. With the failure of the Defence Community and the Political Community, the founding fathers had understood that Member States were not ripe for political integration. They decided to proceed with economic integration, counting on

the economic “approximation” of the Member States to lead to political integration. Institutionally, this is what happened. In the early 1990s the time seemed ripe, but the political leaders underestimated (or misunderstood) the difference between the mechanisms of economic and political integration.

European integration was launched as a political project (“ever closer Europe”), but with an economic starting point: the Common Market. The Customs Union is not based on political idealism but on down-to-earth economic interests. The negotiating economists and officials understood very well that the process of economic integration is a balancing act between gains and losses: by opening borders a country will lose its less competitive industries, but its efficient industries will gain an expanded market. As long as the gains outweigh the losses, the integration process proceeds; it is a positive-sum-game. The driving force behind integration is not an idealistic common good, but well-understood self-interest. The outcome of the balancing of gains and losses is consolidated in a binding legal basis that allows the integration process to proceed. Whenever problems arise, an additional legal base is created, reinforcing the common legal framework of the economic Union. This strong internal legal base and the common interest in the existing arrangements together create a firm basis for the external representation of the EU, whenever an international negotiation takes place on an issue covered by the internal market. Occasionally, conflicts of interests between Member States may arise, but the principle is clear (art 3.2 of the Treaty on the Functioning of the EU).

The situation is quite different for CFSP/CSDP. Whereas in economic integration, the institutions developed as and when substantive

economic integration required it, in CFSP the institutions were created in the hope that the integration of foreign policy would follow. The legal base of CFSP is weak, and countries continue to pursue their national interests. The give-and-take and the balancing of gains and losses that in economic integration leads to constructive compromises, is much more difficult to realise in foreign policy. Decision-making requires unanimity and Member States have not yet recognised that there is a common EU interest, and how it can be realised as a result of the positive-sum game. It is an illusion to believe that at this stage Qualified Majority Voting would improve the situation. It would only lead to more severe conflicts with Member States that feel side-lined by the decisions taken.

### **NATIONAL VS EUROPEAN PRIORITIES**

The political interests of the Member States and their diplomatic relations are determined by economic, geographic, historical, religious, cultural and other factors. Member States have different priorities, and the balancing between economic interests and values is different in each country. This is obvious when looking at their security priorities: many Central European countries that spent decades under Soviet rule see Russia as the reincarnation of the “evil empire”. Not so the Southern European countries: they consider the trans-Mediterranean migration flows as the main security risk – unlike, in turn, the more Northern Member States. France is worried by the surge in fundamentalist Islam in the Sahel; many other Member States could not care less. The Treaty does not provide a compulsory framework for defining a single policy. As a result, every country continues to pursue its own objectives and priorities.

For international *economic* relations, the EU is important as it provides the framework for

Member States’ trade, investment, etc. This common framework (the Common External Tariff, the Common Trade Policy) is, just like the Common Market, the result of balancing gains and losses. The common framework negotiated with any partner country (or organisation) is in the first place a common denominator of the interests of the Member States. For every Member State this implies a “give and take”: you lose something as the opening of trade competes with your national products, but lower barriers to trade for other sectors allows your industry to expand. It is again the positive-sum game approach that allow trade negotiators to conclude trade agreements.

But what happens if there is no clear balance between gains and losses, like in foreign policy?

A country’s national policy reflects its interests in relations with the rest of the world, modulated to some extent by its values. Consolidating this policy in a supranational context is only interesting if supranational decision-making coincides with the national interest. In that case the country’s policy priorities and interests are re-enforced as a greater group of countries will support it.

But why would a country give up its own policy priorities and dilute its “interests” if it gets nothing in return? Foreign policy coordination is to a large extent a zero-sum game. Germany focuses on its short-term interests, and feels it would not gain anything by aligning itself with a joint EU position and limit its economic relations with Russia. The prospect of a boost in economic relations after an eventual normalisation of EU-Russia relations is perceived as far too hypothetical. The Baltic States are of the opinion that they would gain nothing by aligning themselves with a more open economic cooperation with Russia. In this

situation, a common EU position can only be a compromise and will result in an ambivalent text with wording that papers over the conflicting ambitions of the Member States. Thus no effective EU policy can emerge. Exceptional moments do exist, when emotions run high and pressure mounts to show the coherence of the Union, but these are rare.

Harmonization of foreign relations over a broad range of topics, allowing Member States to compute losses and gains over many dossiers so as to enable a positive-sum game, is extremely complex and has not been tried. Imagine the following question: what foreign policy gain would convince the Baltic States to agree with a more positive approach to Russia?

The result: on all issues the EU can only adopt the lowest common denominator position. As Lavrov once told me: “The EU moves at the speed of the slowest camel”.

### **ADDITIONAL WEAKNESSES**

Simplifying matters, let us assume that a country’s foreign policy aims at promoting its interests while taking into account to some degree its fundamental values.

In the EU, there is a convenient division of labour. For EU diplomacy, the emphasis is on values: democracy, respect for human rights, sustainable development, etc. The interests (trade, investment, other forms of economic and scientific cooperation, etc.) are the realm of the Member States. This does not mean that Member States ignore the value aspect, but the balance between values and interests is obviously biased in favour of the economic interests. Keeping the dialogue going in a situation of conflict is a valid point, but the question is how far this argument can be

stretched. Partner countries know this and skilfully play self-interested Member States off against a too activist EU. The recent debacle of Borrell’s visit to Moscow is a prime example: Borrell could not but raise the problems around the Navalny affair. Lavrov, knowing that some Member States did not consider this a breaking point for important economic projects, dismissed the issue and indulged in trying to further split the EU. This intra-EU divide allows Russia to continue to develop its relations with Russia-friendly Member States. In view of this interest-values split, no fully-fledged EU foreign policy can be formulated.

Apart from development cooperation with certain groups of developing countries, and financial and technical cooperation with Neighbouring Countries and Candidate Countries, the EU is only marginally active in concrete economic cooperation activities. The main role of the EU institutions is to negotiate and conclude the framework for the economic cooperation activities of the Member States: trade, investment, visa arrangement (Schengen), etc. Once the negotiation is finished and the framework exists, the EU becomes to some extent irrelevant, because the reality of relations (i.e. their implementation in the form of investment or trade decisions) resides with the Member States. Lavrov called the EU a “carcass”. His spokesperson later said the translation was wrong: in fact, the Minister meant to say “framework”. But this is exactly the point: the EU is nothing but a framework.

This brings us back to where we started. What Lavrov’s intervention made very clear is that for Russia, the Union is an obstacle to good relations with the Member States. The Union focusses exclusively on values: shortcomings of democracy and human rights in Russia, epitomised at this moment by Navalny and the

protest movement. The EU can only offer criticism and insist that respect for human rights is a condition for the relaunching of relations.

Member states focus in the first place on ongoing or potential economic relations. They do insist on values, but that is a non-binding criticism that does not stop them from proceeding with mutually beneficial economic projects. Moreover, as already indicated, the EU has nothing to offer at this stage. The EU has made itself irrelevant since 2014: what the EU does, is negotiating cooperation frameworks; by suspending these negotiations, hardly anything is left for the Union to do with Russia. Therefore, no harm is done by removing the “carcass”. The EU is an inconvenient impediment as the slow-moving (or immobile) “camels” only hinder the movement of the “camels” that want to proceed with fruitful cooperation.

### **A WAY FORWARD?**

The only way forward is for the Union to define a CFSP that is solidly based on shared values and common interests. At present, however, there is some slippage on the side of the common values, while interests are far from common and probably diverging. This does not necessarily mean that there is no scope for advancing CFSP. Indeed, the unanimous decisions of the 22 February FAC show that Member States can still reach a common position in the face of an external insult, not to say threat. Ironically, Russia might have saved CFSP, in the same way as the threat of the Soviet Union contributed to the European integration process in the 1950s. The security and defence issues between Russia and the EU may well be the starting point of a new approach.

Capitalising on this (modest) positive signal, a constructive way forward could be mapped out,

based on the previously identified obstacles and ambiguities that hinder the development of a genuinely European CFSP.

First, it is necessary to find ways and means to break the zero-sum logic that freezes the positions of Member States. All the respective threats perceived by various groups of Member States are real and deserve attention. The November 2020 common threat analysis undertaken in the context of the drafting of a “Strategic Compass”, combining information from the Intelligence Services of the Member States, is a crucial first step. This exercise should not stop there. Member States should be encouraged to actively support each other in coping with their respective security threats. This could be the beginning of a positive sum game dynamic, in which Member States understand that security threats should not be handled piecemeal but as a whole. Moreover, by giving up an exclusive focus on their own security problem they can receive substantive support from other Member States. Rather than look for protection under the NATO umbrella, increasingly Member States should look for collaboration and protection in the CSDP context. CSDP could be an important element in realising the “positive-sum game” of CFSP (strategic autonomy). Admittedly this is easier said than done, but competent diplomats and security specialists can certainly identify complementary diplomatic, military and other actions that Member States could undertake, and thus, taking a leave out of the book of trade negotiations, gradually construct a give-and-take approach and balance gains and losses.

Second, the dichotomy must be ended between the EU taking care of values and Member States taking care of their interests. The way out is to set up a mechanism for screening major outward investments from Member States’ companies in

the same manner as inward investment is screened. The EU Foreign Investment Screening Mechanism became operational in October 2020. A screening mechanism for inward investment ensures the integrity of the internal market. A screening mechanism for outward investment could also ensure the integrity of the internal market and its coherence with the political and the economic interests of the EU. The experience of setting up the inward Foreign Investment Screening Mechanism can inspire the setting up of an outward counterpart. The introduction of such a mechanism would also resolve the limitations in the role of the EU institutions, which would no longer be restricted to a negotiating role but would actively monitor the application, not only of trade agreements but also of the fundamental values of the Union.

The stronger the pressure and perceived aggressiveness from Russia (and from China), the greater the chance that a genuine CFSP will successfully emerge.

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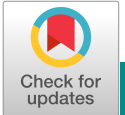


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# The EU in Search of Autonomy in the Era of Chinese Expansionism and COVID-19 Pandemic

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## Abstract

Given the global changes created by China's expanding international influence, increasingly intense Sino–American competition and the growing multi-polarisation of the international political economy, is there any specific place that the European Union can hope to occupy? For tentative answers to this question, this analysis of Chinese economic expansionism aims to highlight the rationale behind the EU's foreign policy action and to explore how this expansionism has impacted on the preservation of the European unity and whether Chinese economic power has undermined integration and triggered disunity within the EU. We look at the period starting in 2013, the year when China launched its 'New Silk Road' initiative, right up to the global lockdown due to the COVID-19 pandemic.

Power is currently being diffused among the global political economy at the expense of the traditional powers, and particularly the European Union (EU) and its national economies. This global power shift can be seen in the rise of new countries and notably those in Asia, such as China. They are eager to expand their presence worldwide in order to maximise their respective economic and commercial interests, diversify their external trade relations, forge new international alliances and to foster changes in international economic and political structures so as to achieve a more balanced distribution of global power.

The EU's place and role in globalisation are today being shaken by this spreading of power, the actions of international powers, and the competition between them as well as by a questioning of the liberal international order with which Europe identifies itself. As a result, given the global changes stemming from China's expanding international influence, increasingly intense Sino–American competition and the growing multi-polarisation of the international political economy, is there any specific place that the EU can hope to occupy? Is the world therefore being shaped outside of Europe? Or is Europe capable of building a strategic autonomy, so it can assert itself as one of the main poles of the international order?

The issue of whether internal/domestic or external factors linked to the international system shape an actor's foreign policy is among the most stimulating topics in the international relations literature. Today, a growing scientific literature seeks to understand the EU external economic and commercial policy, focusing either on internal factors or external ones. On the one hand, a recent scholarship based on a liberal-institutionalist approach (Da Conceição-Heldt, 2010; Dür et al., 2019; Meunier and Vachudova, 2018) argues that a set of EU internal factors shape the EU trade policy. These factors can be lobbying activities by European interest

groups or the heterogeneity of EU member states' (MSs) preferences. On the other hand, several scholars (Meissner, 2018; Teló and Feng, 2020) point out that these factors are not the only possible explanation of EU external trade action, paying special attention to factors located at the international level and rooted in the practices of rival actors such as the United States or China. Even though these studies provide useful insights regarding the design of EU external relations, in this article we argue that a multidimensional analysis, which finely balancing internal and external factors is necessary for assessing the way the EU goes in asserting its trade powers in foreign affairs. In this respect, we seek to explore the EU trade action and explain trade decisions through a complementary multi-causal approach, combining external and internal factors. The research goal is to analyse how the practices of rival actors, such as Chinese expansionism or US–China power struggle and the heterogeneity of EU MSs' preferences operate together in shaping EU external action and Europe's attempt to secure and promote its economic and regulatory power (Santander and Vlassis, 2020).

To shed some light on the issue, we look at the period starting in 2013, the year when China launched its 'New Silk Road' initiative, right up to the global lockdown due to the COVID-19 pandemic. The article is based on qualitative research focusing on systematic and extensive analysis of primary written sources, including special information services and publications, as well as grey literature, such as resolutions, summaries, working documents, recommendations and reports. The article is structured into three parts. Part one will explore the mechanisms of China's global expansion and the implications of this economic diplomacy for the distribution of global power, as well as for maintaining the unique nature of the European integration project. Part two will focus on the responses of the EU and its MSs to the Sino–American power struggle and it will investigate the options available to Europe

to adopt a European path that is both distinct and autonomous. The third and final part will examine the potential upheavals in international power relations caused by the COVID-19 health crisis and how this could affect the EU's economic and political relations with China.

### Could Chinese expansionism contribute to European disunity?

China's growing power and trade expansionism are reshaping the global economy's structures, as well as the operating logic and dynamics of global economic governance (Christiansen and Maher, 2017). To do so, Chinese authorities are supporting two major projects. The first one is the Regional Comprehensive Economic Partnership (RCEP) – launched by China in 2012 – which has as main aim to establish a regional free trade zone in Asia-Pacific, including the ten member states of the Association of Southeast Asian Association (ASEAN), as well as Australia, China, Japan, New Zealand, and South Korea. But a certain number of obstacles (COVID-19 pandemic in Asia, trade disputes and competition for leadership between actors ...) has prevented its realisation until the conclusion of the agreement in mid-November 2020 after eight years of harsh negotiations. The second one is the 'New Silk Road', which covers a much wider geographical field and addresses different issues from those of RCEP. In fact, the New Silk Road is currently considered as the key strategic pillar of China's trade policy (Braga and Sangar, 2020; Callahan, 2016). This plan, today called the *Belt and Road Initiative* (BRI), includes two projects: 'an economic silk road' stretching from China to Europe through Central Asia and 'a maritime silk road' from South East Asia to the Mediterranean and now towards the East by extending its influence as far as Latin America. Launched by Chinese President Xi Jinping in 2013, this initiative is a flagship mega-project for interstate trade exchange. It will stimulate the flow of capital, goods and services between China and 126 trading partners. The BRI project is being driven by a sort of 'infrastructure diplomacy', which notably focuses on the development and reinforcement of interconnected infrastructures plus road, energy, rail and port projects. As the US pulled out of the Trans-Pacific Partnership (Vlassis, 2016) in 2017 and as negotiations on a transatlantic trade and investment partnership between the US and the EU are on hold (de Ville, 2016), the BRI is the only mega-project for regional cooperation trade being turned into a reality.

Given China's trade ambitions, the EU and its MSs are looking to come up with answers and to roll out a strategy. However, this strategy is marred by internal tensions within the EU. As we will show it further some MSs (France, Germany) are pushing the bloc to adopt a stronger approach towards China, while others are advocating a more flexible position (Greece, Italy). As a result, the EU has adopted an approach that blows hot and cold.

Recently, the European authorities appear to have taken a harder line with Beijing. For many years, the EU always considered China a cooperation partner, but now it is choosing an approach that is supposedly less "naive" (Conley, 2020)

and no longer hesitates to call the country a "systemic rival" (European Commission, 2019a). The EU institutions take the view that European companies are often subject to "discriminatory, unpredictable and burdensome" trade procedures, as well as restrictions on their investments and forced transfers of technology to the benefit of the Chinese market (European Commission, 2019a, p. 6); the US government has addressed similar criticisms to China (see below). It is noteworthy that the Commission's 2020 report on barriers to trade and investment explicitly underlined that 'China has taken over as the country with the highest stock of recorded barriers with 38 obstacles hindering EU export and investment opportunities' (European Commission, 2020, p. 3).

On this topic, since 2013, the EU and China have negotiated the *EU-China Comprehensive Agreement on Investment*, intended to replace the existing bilateral investment treaties that all EU MSs, other than Ireland, have already concluded with China. Europe has several objectives for such an agreement. They include developing common standards to protect investment, providing predictable and reciprocal long-term access to European and Chinese markets, and ensuring a fair and transparent level playing field, so as to protect Chinese and European investors from discrimination and unfair treatment. Such an agreement would also have a significant impact on China's policy mix for inward foreign direct investment (FDI), since according to the Organisation for Economic Co-operation and Development (OECD), China is one of the most restrictive countries in terms of inward FDI. Among the 68 countries analysed by the OECD, only three countries (Indonesia, the Philippines and Saudi Arabia) had more restrictive FDI policies than China in 2017 (Bickenbach and Wan-Hsin, 2018). The EU is thus seeking mechanisms to limit China's progress, but without abandoning cooperation with China. Nevertheless, the Chinese authorities, which are more focused on finding a solution to their trade dispute with the US, have paid little attention to European expectations and proposals for investment regulation.

The EU's single market is a major magnet for Chinese decision-makers, but the European system of governance and regional integration is much less appealing to them. Chinese authorities are also aware that a united Europe is stronger in the negotiations and that they are therefore likely to obtain fewer European concessions. For that reason, China seeks to make fewer concessions to the regional bloc than to individual states and it has no hesitation in pursuing strategies that increase the divisions within the European bloc, thus contributing to weaken the EU's presence in its own backyard. To do this, China is consolidating BRI expansion in parts of Europe, using FDI as a major lever of its trade policy. Chinese FDI is creating economic opportunities in some countries, but it is testing European unity, as European countries develop divergent strategies in the face of Chinese trade efforts. Moreover, Chinese FDI raises serious domestic policy challenges, as several European countries are unaccustomed to negotiating with foreign investors from non-Western economies, non-democratic regimes or countries beyond their strategic security and defence

alliances' (Meunier, 2019, p. 99). It should be stressed here that in 2016, the value of Chinese FDI flows to the EU totalled €35.9 billion, almost 50 times higher than in 2008 (€0.7 billion) (European Commission, 2019b).

In 2012, China signed memorandums of understanding with 16 Central and East European countries, including 11 EU MSs<sup>1</sup> and five countries in the Western Balkans.<sup>2</sup> For the BRI mega-project, this alliance, called the Cooperation between China and Central and Eastern European Countries (CEEC) or the '17 + 1' (formerly the '16 + 1'), has made promoting trade and investments one of its major priorities. To tie these European countries more closely to its project, China is using "debt trap diplomacy", although some scholars seek to question this Chinese diplomatic practice, focusing on the dynamic role of recipient countries (see Jones and Hameiri, 2020). More specifically, China links some EU MSs and non-EU countries with its BRI project, before offering them large investments to finance major infrastructure programmes. As most of these European countries are subject to the EU's austerity policies, they eagerly welcome Chinese investment without worrying about the consequences in terms of indebtedness and dependence on a non-European power. This has been demonstrated by a series of high-speed rail projects, such as the one to link Budapest-Belgrade-Skopje-Athens or to connect Belgrade to the port of Bar in Montenegro. Independent studies have highlighted the economic unsustainability of some of these projects, but the Chinese authorities have continued to finance them (Doehler, 2019). As a result, countries such as Montenegro are getting into debt with the Export-Import Bank of China and increasing public debt to 80 per cent of the country's GDP (Doehler, 2019). China now holds 39 per cent of the external debt of this small Balkan country and one-fifth of that of North Macedonia, leaving them vulnerable to Chinese political influence. China is thus gaining a foothold in the economies of countries that are eventually expected to join the EU. In doing so, China is building a network of relationships with European countries that could act as a sounding board for Chinese interests in Europe.

Other countries in the region, such as Croatia, Hungary and the Czech Republic, are negotiating bilateral agreements, taking on debt owed to Beijing, transferring critical infrastructure to it and/or agreeing to serve as a platform for Chinese technology giant Huawei to build their 5G telecommunications network. However, the cornerstone of China's economic expansion in Southern Europe was the acquisition of the Greek port of Piraeus by its shipping company COSCO, which made it the second most important port in the Mediterranean after Valencia. Greece has also taken up China's invitation to join the BRI by joining the CEEC alliance. Portugal and Italy have also decided to join China's great geopolitical and economic project in the hope of benefiting from Chinese investments. This kind of relationship is powered by a concept of centripetal bilateral multilateralism, with hub and spoke initiatives. It is rather like a wheel, with China as the hub (rule maker) and the other 'partner' countries serving as the spokes (rule taker).

Furthermore, China intends to use the economic influence it has developed in Europe to reap political benefits. Chinese authorities, anxious to enhance their country's image in the world, are trying to thwart or prevent international criticism of China as much as possible (Appuzo, 2020). Beijing uses the economic networks it has established in Europe, as well as some EU MSs' economic dependence on the Chinese economy, to weaken or prevent the adoption of European political positions that are detrimental to China. A good example is the issue of human rights violations. Greece has repeatedly opposed the adoption of a European Council joint declaration condemning the abuses of the Chinese regime, within the framework of the UN Human Rights Council in Geneva. This has prevented the EU from speaking with one voice, on an issue where the bloc has always sought to stand out internationally. Hungary has also taken similar positions aimed at blocking joint decisions within the EU that are not in the interests of China (Szabolcs, 2019). Some European legislation, such as the *Framework for screening foreign direct investment in the European Union* (Office des publications de l'UE, 2019), has also been watered down following the intervention of certain EU MSs that are members of the CEEC. They have succeeded in getting a more flexible screening of European high-tech companies for foreign sales, which is in line with Chinese expectations (Gauthier, 2020).

As a result, some EU countries that joined CEEC are becoming a kind of conveyor belt for Chinese influence in the European institutions. It is a cause of growing concern in Brussels, which fears that the New Silk Road will further accentuate the internal weaknesses of European regionalism (Santander and Vlassis, 2020) and is only weakening intra-European trade in favour of trade between European countries and China. The BRI is seen more as a Trojan horse that fuels European divisions and undermines the common trade policy. So, the Commission and some European countries – among them France, Germany and Spain – want to promote coordinated EU action in response to Chinese initiatives and they also do not envisage joining the Chinese project. Supporters of a unified approach to China, such as the European Commission and the European External Action Service (EEAS), have become more critical of the BRI project (European Commission, 2019a) and see it as a threat to European unity (European Parliament, 2018). They are now even calling for China to adopt a One Europe policy, just as the EU supports the One China policy.

### Where does the EU stand in the China-US trade tussles?

At first, the Europeans had hoped to make common cause with their US ally in order to pressurise China, especially as European grievances about Beijing are fairly similar to those voiced by Washington. These two players are constantly calling on China to structurally reform its economy, while criticising the mercantilist (maximise exports and minimise imports) aspects of its policies, denouncing an incomplete transition to a market economy and highlighting a series of

Chinese practices, such as forced technology transfers, theft of intellectual property, distortions of competition and massive subsidies to Chinese companies, non-tariff barriers to trade, restrictions linked to investment, services and public procurement, or investment in strategic sectors in other countries (Hellendorff and Rühlig, 2020).

Yet these European efforts failed to take into account the Trump administration's determination to pursue a disruptive foreign policy.<sup>3</sup> This policy is based on redefining the relationship between the US and the world, and clearly distancing the US from European integration, which the administration considers outmoded and incapable of adapting to the global age of competition between powers. The commercial clash between the US and China is an integral part of US foreign policy.

Since March 2018, the commercial power struggle between these two players has resulted in a series of escalating tariffs, which are rooted both in China's mercantilist policy and in the nationalist shift in US foreign policy. Regarding the improvement of bilateral trade balances and the reduction of the US deficit as a major national security issue (Damen and Gilder, 2019), the US trade agenda uses commercial instruments, such as raising tariffs on a large number of Chinese imports, and has resorted to bilateral negotiations with the Chinese authorities to obtain economic and political concessions. These concessions range from increased purchases of US goods to structural changes in Chinese practices that are deemed harmful to US economic interests (Gonzalez and Véron, 2019).

The EU, which has the largest trade surplus in the world, is also the target of US trade sanctions or threats of sanctions. The Trump administration's unilateral and high-handed attitude precludes the prospect of coordinated action against China's trade practices. In addition, the mercantilist struggle between the US and China has increased the uncertainties and risks of separate and autonomous European external action, and highlighted the underlying divisions between MSs (Aggestam and Hyde-Price, 2019). In this context, the presence of the Chinese companies Huawei and ZTE in Europe to develop 5G wireless networks, and the EU's attitude to Chinese investment in the European market, are both telling examples of the EU's position on the commercial clash between the US and China.

The US is currently spearheading a global campaign, urging EU countries and other trading partners to block the use of equipment from China's telecoms giants Huawei and ZTE in the next generation of wireless networks. The US administration is exploiting this campaign, which is an intrinsic part of the US trade and political clash with China, to accuse Chinese telecommunications companies, and specifically Huawei of espionage and of being a threat to national security. It is noteworthy that Huawei and ZTE enjoy a special relationship with the Chinese authorities, aimed at giving them an advantage in global competition and ensuring their international projects are part of the digital component of the BRI (Digital Silk Road). Moreover, Beijing's plans to make China a key competitor in advanced technologies are now viewed by the US authorities as 'an existential threat'

(Inkster, 2019, p. 107) to American domination in all aspects of technological innovation.

Such accusations against Chinese companies did not originate with the Republican Party, since they were already being made under the Obama administration (2009–2016). In 2012, a US Congress committee published a bipartisan report accusing Huawei and ZTE of intellectual property theft, loyalty to the Chinese authorities and potential espionage. Yet the Trump administration has adopted a more mercantilist attitude to China and its businesses. In 2018, it opted to forbid two Chinese investments in American technology companies (Xcerra and Qualcomm). To date, the US, Australia, Japan and New Zealand have banned Huawei and ZTE from their 5G networks, citing the companies' alleged proximity to the Chinese government.

The EU authorities have done their best to prioritise the path of peace with China, while still keeping up their guard. In late January 2020, the EU published a collective "toolbox", developed by the Commission and the 27 MSs, containing non-binding recommendations on the specific risks of deploying 5G infrastructure. The Europeans adopted an intermediate position, aimed at ensuring Europe moves forward in lock-step. This position does not exclude Huawei or ZTE from Europe's 5G networks, but it does define standards to secure future mobile telephony networks. However, this position leaves the final decision to the discretion of each State on whether or not to exclude these Shenzhen companies.

These two Chinese technology giants are already a core part of telecommunications networks in Europe, so any decision to ban them could lead to economic reprisals by the Chinese government. For example, Germany's three telecom operators already use equipment by Huawei. As the Chinese ambassador to Germany has suggested, economic retaliation would risk damaging the market positions of German car-makers in China, if the two Chinese companies were to be excluded from Germany's 5G networks (Bennhold and Ewing, 2020).

Without doubt, any European ban placed on Huawei and ZTE would not be in the interests of several EU MSs who see Chinese FDI as an economic opportunity (see above) and who trust the Chinese companies, among them Hungary, Greece, Italy, Austria and Poland (Duchâtel and Gode ment, 2019). This explains why the position adopted by the EU is not as strict as that taken by the United Kingdom (UK) – the country that was previously most involved with Huawei.

Aware of the mercantilist shift in Sino–American economic relations, the EU is eager not to openly upset the Chinese government, following pressure applied by several MSs. The bloc also refuses to adopt practices similar to those of the US. Nevertheless, the Sino–American trade clash is creating an atmosphere of distrust and suspicion about Chinese practices, and has resulted in a number of trading partners either reconsidering or hardening their attitude. Intent on preventing Chinese businesses from investing in strategic sectors, France, Germany and Italy (the latter under the Gentiloni government, 2016–2018) proposed in

2017 that the European Commission should play a wider role in investment policy. The idea was to establish trade defence mechanisms, and to monitor and potentially block foreign acquisitions in the EU, taking inspiration particularly from the federal mechanisms set up in the US (Committee on Foreign Investment in the US, US Foreign Investment Risk Review Modernization Act).

However, their proposal was challenged by an ad hoc coalition of countries that benefit extensively from Chinese FDI (Portugal, Greece, Malta, Czech Republic) and who are against this type of competence being transferred to the Commission. FDI is a matter for the MSs to decide. In March 2019, the EU therefore adopted a non-binding mechanism to set up an information-sharing mechanism between the MSs and the Commission to flag any potentially sensitive foreign investment and to authorise the Commission to filter any FDI that might affect projects financed by EU funds. Given this context, Chinese investment in the EU and the US fell by 50 per cent and 95 per cent respectively between 2016 and 2018. This was due to the implementation of stricter regulatory frameworks and a change in Chinese policy that imposed an exit barrier on Chinese companies following the Sino–American trade dispute (de Vergès, 2019).

In summary, these two examples not only indicate that the unilateralist and mercantilist approach adopted by the US has a political impact on the EU's attitude to Chinese practices. The approach also reflects the fact that the European bloc is sharply divided on how to address China's increased expansionism in the world economy. Some view Chinese expansionism as an instrument for deepening Chinese integration into international economic interdependence. Others see it as a risk, threatening to undermine the liberal multilateral order (Smith and Youngs, 2018). Due to this political ambivalence that dominates the EU's attitude towards Chinese trade ambitions, the European authorities are unable to define a clear line on the Sino–American power struggle.

### COVID-19 global outbreak: a new lever of tension or a fresh start?

The COVID-19 crisis would appear to be an accelerating factor in the political and economic tensions that affect the EU and its relations with China. The pandemic is becoming a major issue for Chinese foreign policy, which is seeking to turn the pandemic into a political opportunity to boost China's Silk Roads project, to invest more in multilateral organisations by increasing the country's contributions to their respective budgets, and to consolidate China's multi-faceted diplomacy. Chinese diplomacy is consequently redoubling its efforts to advance its agenda, bearing in mind that the fight against COVID-19 is not only health-related, but also political, economic and narrative-based. China's goal is to consolidate its presence in Europe as a 'benevolent' power that supposedly offers effective and united solutions to the COVID-19 crisis. The Chinese authorities' 'diplomacy of generosity' now being deployed is also an attempt to restore China's image as a world leader in the health sector. One

aim is to make people forget China's lack of responsiveness and transparency in managing the pandemic. Another aim is to test the European consensus, in order to raise questions about the weaknesses of European governance.

Since the pandemic's outbreak in Europe, China has launched large-scale health diplomacy. It has done this by providing medical equipment (masks, respirators, and screening tests) on both an inter-regional (China–EU) and bilateral (China–Member States) basis. Nonetheless, the Chinese health diplomacy deployed in delivering medical assistance has focused more on fostering bilateral relations with individual MSs than with the EU. This approach aims to integrate medical assistance into a comprehensive yet vaguely defined project called 'Health Silk Road' (HSR), which is a health policy extension of the BRI (Lancaster et al., 2020). These Silk Roads are less about involving regional organisations in their own right and more about including states on an individual basis, thus giving China levers to destabilise the European political front (see above).

Furthermore, as distinct from inter-regional relations, the bilateral channel mobilises a significant number of public and private actors at several levels. They include the Chinese government, local Chinese embassies, twinned municipalities, associations such as the Chinese Red Cross, state and private companies such as the China Communications Construction Company (CCCC), Huawei or ZTE involved in BRI projects, and private foundations such as the Alibaba Foundation. China has also organised a series of videoconferences on an individual basis with governments and health experts, aimed at sharing experiences on the fight against COVID-19. Significantly, the first videoconference took place on 13 March with the CEEC group, also including Greece and Malta (European Think-tank Network on China (ETNC), 2020). As a result, Chinese medical aid and its targeted media coverage are instruments that China needs to succeed in maintaining its close trade relations with certain EU MSs and to develop major projects such as 5G communication networks. A further aim is to create a political contrast, by highlighting the EU's lack of coordinated governance of medical assistance at the start of the pandemic outbreak in Europe, as well as to encourage neighbouring countries such as Serbia to vent their frustrations about the EU (Vuksanovic, 2020).

In addition, by reviving this medical aspect of the BRI, which has been overshadowed to date by major infrastructure projects, China hopes to offer a new direction for its inter-regional mega-project against a global backdrop of economic recession due to the COVID-19 pandemic. The nature and scope of BRI activities will obviously be greatly affected in the short to medium term. Chinese banks had already started to reduce their lending to BRI projects, and Chinese investment in Europe saw a sharp slowdown well before the current crisis. The pandemic is only expected to accelerate this trend, as it significantly affects manufacturing activity, supply chains and the movement of goods. It has also led to a drastic global decline in FDI volumes, due to a major shift in corporate priorities as companies focus their financial resources on rescuing their core activities (Fabry and Bertolini, 2020).

In this respect, the HSR could evolve into a new identity for the BRI and a key extension for this project by becoming an integral part of Chinese foreign policy. Similarly, the Chinese authorities will consult collectively on the non-physical aspects of BRI, such as the Digital Silk Road, as the increased use of the digital tools already in place in China has been a source of inspiration for other countries fighting COVID-19. Nevertheless, China's campaign public diplomacy and its "generosity policy" are also sources of irritation regarding China, for both the European institutions and some MSs. In January 2020 for example, China received around 60 tonnes of medical equipment from the EU,<sup>4</sup> and European authorities kept a low profile and avoided broad media coverage, respecting a request from Beijing to remain discreet (Popescu, 2020). Furthermore, several EU MSs, including Spain, the Netherlands and the Czech Republic, rejected medical equipment (test kits, medical masks, and ventilators) made in China because it was defective or did not comply with European standards.

China's strategy is also guided by the desire to serve up counter-narratives to criticisms of its regime. The roll-out of China's vast communications campaign aims not only to stress how well the Chinese authorities are managing the pandemic, but also to cast doubt on the origins of COVID-19. In this context, the European External Action Service was accused of caving in to the pressure exerted by China and of minimising the Chinese government's role in spreading 'fake news'. After this incident, Germany confirmed that Chinese diplomats had contacted German government leaders to encourage them to speak positively about the way Beijing is tackling the pandemic.

There is no doubt that the origins of COVID-19 and the manner in which the pandemic has been handled by the Chinese government have become international issues as well as a cause of political and economic tension. The EU has refrained from taking a tough stance on China, in spite of the US government's fierce criticism of China's authorities and the World Health Organization. However, the EU has decided to set up an independent and transparent inquiry into the origins of COVID-19 and the effectiveness of the multilateral health response to this global pandemic. This proposal, which was first launched by Australia and has been rejected so far by China on the grounds that this an act of "politicising" the pandemic and could result in economic retaliation, was overtly supported by 27 MSs and European institutions, in addition to many other countries such as Russia, India, Indonesia, Turkey, Japan and Brazil. It underlines how the COVID-19 crisis heightened the climate of scepticism about Chinese practices.

In the face of China's growing influence, US mercantilist policies, as well as the COVID-19 health crisis and its negative effects on the European economy, the EU institutions and the MSs seem to have woken up. They can now see the serious dangers being posed to the European project's sustainability and to the project's influence in the EU's own backyard. This has led to the adoption of several diplomatic and economic measures. The EU has sought to reassure the countries of the Western Balkans about their European

destiny and has handed them €3.3 billion of financial aid to combat COVID-19. The European institutions are eager to capitalise on a nascent sense of disappointment in the Balkans about China (Karásková, 2020). The region's countries had expected China's presence to have a greater impact on employment and they hoped that China's financial and industrial commitments would be more substantial.

Furthermore, on 23 April the European Council agreed to help the European project by creating a new fund. Aimed at supporting Europe's economic recovery, this fund is worth more than one thousand billion euro. Another notable step forward is the Franco-German alliance. It is trying to re-establish itself as the central driving force of European integration, by proposing a recovery plan financed by common debt between the MSs. This debt would be issued by the EU and spent through the European budget. If the EU manages to stay the course and to maintain its determination to relaunch the European project through an alternative path to its policy of austerity, it will have succeeded in transforming negative external factors (COVID-19, Chinese pressure) into a catalyst for EU integration. This would confirm a number of theory-based claims, whereby regional organisations are shaped as much from within as by external actors and factors (Santander, 2008; Santander and Vlassis, 2020). But the question that remains is whether the EU will be able to turn its new internal vigour into a stronger and more coherent role in global affairs (Kauffmann, 2020).

## Conclusions

The article has offered a multidimensional approach, combining external and internal factors in order to highlight how the practices of rival actors, such as Chinese expansionism or US-China power struggle and the heterogeneity of EU members states' preferences operate together in shaping EU external action. The picture that emerges through this complementary multi-causal analysis sheds light on five key points.

First, Chinese expansionism has shaken up the EU as well as European trade policy's scope and objectives, especially since the process of European integration has been the target of destabilising strategies deployed by China. Although interested in the EU's single market, Chinese leaders find the European system of governance and regional integration less appealing. Beijing's strategy towards the EU is less about splintering the European institutions than it is about controlling Europe's collective influence.

Second, this strategy is creating internal divisions and straining relations between MSs, as well as between them and the European institutions. Beijing is attempting to reshape regionalism on the European continent in line with China's strategic interests, by deploying its Silk Road project there and focusing on those states most receptive to Chinese proposals for infrastructure investment. Yet Beijing is not seeking European disintegration. It simply wants to influence European decision-making in its own interests. This is especially important for China, because the European single market remains a vital outlet at a time when China is

facing a strategy to destabilise its power as well as direct confrontation with the US.

Third, although apparently determined not to adopt a position that favours China or the US in the trade clash between the two powers, the EU is gradually seeking to build a more collective response to Chinese penetration in Europe. This response might simply involve being less naive. For the EU, the challenge is made tougher by the fact that MSs have always struggled to develop a shared analysis of issues and a similar view of the world, or a common definition of European interests. However, as limited as they may be, changes are now happening in the EU and its MSs. Both are adopting a more realistic approach towards China. They no longer consider China only as a partner with which they can develop cooperation, but also as a strategic competitor or rival.

Fourth, the EU is aware of the European market's importance for China, at a time when Chinese economic and commercial interests are being undermined by the Sino-American trade war. In this new dialogue with China, the EU wants to clearly affirm the bloc's preferences by offering agreements designed to foster a review of the terms of their relationship and thus to better rebalance it. One notable avenue for rebalancing is the signature of a comprehensive Euro-Chinese investment agreement.

Fifth, the COVID-19 global pandemic and China's diplomacy of 'generosity' have raised European awareness of the impact of international industrial relocation as well as the EU's over-dependence on globalised value chains, and especially on Chinese industry and production chains. Awareness is often the first step towards change. The agreement reached by the European Council on 23 April to set up a Recovery Fund could be seen as a response to the crisis caused by the economic recession that was triggered by the COVID-19. It may also be interpreted as an answer to those in Europe who are ready to fall for the songs of Chinese sirens. The EU is therefore beginning to sow the seeds for its recovery and for a more balanced relationship with China. However, the road for the EU to assert itself as an autonomous, effective and coherent global actor will be long and difficult.

## Notes

- 1.. The data that support the findings of this study are available from the corresponding author upon reasonable request. Bulgaria, Czech Republic, Estonia, Croatia, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia and Slovenia.
- 2.. Albania, North Macedonia, Bosnia-Herzegovina, Montenegro and Serbia (Kosovo is not part of this).
- 3.. The article has been written before the results of the 2020 US presidential election were known.
- 4.. The medical aid was provided by France, Germany, Italy, Austria, Latvia, Estonia, the Czech Republic, Hungary and Slovenia through the EU Civil Protection Mechanism.

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# 11 The EU and Brazil in a changing world

## Strategic partners or competitors?

*Sebastian Santander*

### **Introduction**

Since the bipolar world came to an end, the European Union (EU) has been seeking a global strategy on Latin America (L.A). From the outset, Europe's strategy has been notable for its steady support for regional groups in L.A, resulting in the development of interregional relations like those established with the Southern Common Market (Mercosur), set up in 1991 by Argentina, Brazil, Paraguay and Uruguay, and enlarged since 2012 to include Venezuela. Nonetheless, over the last few years, the EU has been looking to intensify individual relations with states and to form links with so-called 'emerging' powers, with which it is eager to sign 'strategic' partnerships. This strategy has an impact on the EU's relationship with L.A. Indeed, the European Commission communication of December 2005 proposes to encourage relations with countries that are viewed as 'key States' in L.A. In July 2007, this approach led to the 'Strategic Partnership' (SP) with Brazil and the development of a selective political dialogue with that country. Yet this raises a specific question. After so many years trying to develop regional bloc-to-bloc relations with Mercosur, why is the EU so interested in forging direct and regular relations with Brazil outside the interregional channel? In an attempt to answer that question, this chapter aims, first, to place the SP in context within the broader framework of the EU's strategic diplomacy towards L.A. Second, it identifies the factors that drove the EU to change its L.A policy and set up a SP with Brazil. Third, it analyses the viability of this partnership by assessing the question of the EU's strategic importance for Brazil and the question of the capacity of European and Brazilian actors to draw up a common agenda and thus to work hand in hand on major international political issues. The chapter also focuses on the effects of the Lisbon Treaty's implementation on the diplomacy in this relationship.

### **From Mercosur to a selective relationship with Brazil**

Since the early 1990s, Mercosur's regional integration had played a special role in the relationship developed by the EU with the continent of L.A as a result of the political, economic and institutional expectations that Mercosur had created

among the EU institutions as well as European business and media. From December 1995, the date when the Union invited Mercosur to sign the framework agreement on interregional cooperation, the parties set up regular and institutionalised contacts. They also launched a political dialogue to express any views on which there is a convergence of opinion and interests in the international bodies and multilateral organisations. Last, they paved the way for ambitious free-trade negotiations with a view to the eventual signing of a trade agreement that would include issues and compromises that go beyond those covered and included in the framework of the WTO.

The EU/Mercosur interregional framework had evolved into a forum, from which the Union could talk to the South American group's member states. An inter-institutional structure, actively encouraged by the European Commission, was set up. Through this structure, the two blocs' various bodies had developed inter-ministerial, inter-diplomatic, inter-administrative and inter-parliamentarian relations, plus relations between the bodies that represent both sides of civil society – mainly entrepreneurs and unions. The dialogues and negotiations during these meetings were intended to encourage Mercosur members to engage in regional dialogue, so that they could speak with one voice in international talks. The Union, which had long seen Mercosur as a mirror image of its own experience, hoped that a strengthening of South American regional cohesion would enable the Union to consolidate its economic interests in the region, to further export its model of integration and therefore to strengthen its identity and image as an international actor.

This approach aimed at strengthening and shaping regional integration poles internationally in much the same way as Europe has done, with a view to signing interregional agreements. EU bodies worked to legitimise this goal through international relations rhetoric that was marked by idealism. Starting in the early 1990s, the Union systematically promoted the European model to the rest of the world. This model was presented as a project unconnected with hegemonic ambitions and a project whose specificity lay not only in the 'shared values of liberty, democracy, respect for human rights, tolerance, gender equality, solidarity and non-discrimination' but also in the fact that European nations had created a collective environment of 'peace, stability and prosperity' thanks to 'unique and innovative structures that transcend traditional international cooperation [of a purely inter-state kind]' (Council of the EU 2003: 11). According to the Community approach, these structures are founded on respect for common law, negotiation and cooperation, and the peaceful resolution of conflicts. This would make the European experience a genuine 'quarry from which ideas for global governance can and should be drawn' (EC 2000: 4).

As European bodies saw it, the support for regional integration efforts in the world and the institutionalisation of interregional relations could only have positive consequences for the international system. That is because regional and interregional thinking were perceived as peaceful mechanisms for managing and controlling international affairs, thus helping to tame and multilateralise the international action of states.

Since the end of the Cold War, the EU has presented this notion of global governance as the best way to ensure a stable international order that respects international law. The idea is that this governance would be guided by a spirit of cooperation, far removed from a world driven by power and reasons of state. To promote this idealistic vision of international institutions and interdependence, EU decision-makers were encouraged to promote wherever possible relationships with regional political bodies rather than with states. As a result, beginning with the idea that regionalism is similar to multilateralism in the sense that both stem from negotiation, compromise and the rule of law, the Union worked hard to maintain its relations with the Brazilian state, mainly through political dialogue, the institutions and the relations that it was developing with Mercosur. The EU wanted to strengthen and develop the experience gathered from South American integration and to urge Mercosur to adopt a legal personality under international law, which would allow it to develop external relations with countries or regional groups. This pressure was all the stronger because of the urgency of preventing Washington's proposed project for the Free Trade Area of the Americas (FTAA) from undermining South America's regionalisation efforts, and therefore weakening Europe's presence in the region as well as the European concept of global governance. After the South American bloc was given a legal personality, the parties signed the EU/Mercosur interregional framework agreement of 1995. It was intended that the latter agreement would eventually give rise to a political and economic interregional association, whose goals included the reciprocal liberalisation of trade, promotion of the investment strategy by business and strengthening political cooperation at international level by aligning their positions in international bodies.

During this period, from the early 1990s to late 2004, Europe's decision-making bodies strove to encourage Mercosur countries to adopt a supranational kind of collective approach, designed to transcend the mere state-centric mindset. In the EU, belief in the benevolence of a liberal international order – where political and economic security is achieved through a network of regional and multilateral institutional bodies – created fears about developing special relations with regional state powers, like Brazil's. This was due to the EU's fear of legitimising the development of a state-centric world, mainly based on the dynamics of the balance of power between major powers.

### The Euro-Brazilian SP: a turning point in the EU's strategic diplomacy towards L.A.

However, changes would come, including the EU's strategic diplomacy towards L.A. At the EU's initiative, and under the Portuguese presidency, a bilateral meeting of heads of state and government was held on 4 July 2007 in Lisbon, giving rise to a 'Strategic Partnership' between the Union and Brazil. This Euro-Brazilian summit was a first: it was an unprecedented event in the Community's strategy towards L.A. – a strategy that had long focused on interregional relations rather than bilateral ones – aimed at engaging in a dialogue with and moving

closer to Brasilia. The conclusion of this partnership was a response to the European Commission's December 2005 communication. Keen to revitalise its relations with LA, the Commission called on Europe to grant more special treatment to LA countries, which, like Brazil, it identified as 'major players' and having a 'role in regional affairs' (EC 2005: 7). Therefore, during the Lisbon bilateral summit, and following the proposal of the Commission (EC 2007a), the European authorities invited Brazil to institutionalise a bilateral political dialogue on 'global, regional and bilateral issues of common strategic interest' relating to trade, energy, maritime transport, the environment, security as well as culture and education. To develop these bilateral relations, the Commission earmarked, for the 2007–2013 period, a sum of €61 million (EC 2007b: 27).

Since 2008, this association has been defined more clearly and has been complemented by a 'joint action plan' which emphasises strengthening Euro-Brazilian relations through the setting up of annual meetings at the highest political level, plus regular summits and ministerial meetings. These meetings should focus on 'global challenges and crises that threaten the stability and sustainable development of societies and economies around the world'. The action plan covers many letters of intent, which were summarised in the following five pillars: promotion of peace and comprehensive security through 'effective' multilateralism; enhancing the Economic, Social and Environmental Partnership to promote sustainable development; a call for regional cooperation; promotion of science, technology and innovation; and the promotion of people-to-people and cultural exchanges (EEAS 2008). This joint action plan lasted for three years and was re-examined after the fifth EU–Brazil summit in October 2011, to cover the next three-year period (2012–2014). The goals for this new plan are to 'introduce a number of new areas to bilateral collaboration, including general United Nations matters, drugs, tourism, space cooperation, disaster risk preparedness and small and medium-sized enterprises' (EEAS 2011a).

More than 30 sector dialogues have been established so far (EEAS 2013). The large number of issues covered by the SP underlines that many European services, particularly in the Commission, are interested in the relationship: DG Trade, Agriculture, Environment, Climate, Energy, R&D, Competition, Enterprise and Industry, Regional Policy and others play a fundamental role in the relations with Brazil. Hence the question: Who is responsible for the SP? Even if it is not the driving force of the SP, the EEAS plays a central coordinating role in preparing both the political dialogue and annual presidential summits, and in ensuring the global vision and the consistency of the SP. It also ensures that the summit's outcomes are enforced.

The SP has undeniably marked a turning point in European policy towards LA. This turning point happened before the signing of the Lisbon Treaty and responded to the strategy paper of Solana (2003) and the EC communication (2007a) that called for closer relations with 'emerging countries'. In fact, it was the EC's DG Relex that determined the SP's global framework. Even though the EEAS has been in charge of the political dialogue with Brazil since December 2010, the SP's framework has not undergone major political changes. In other

words, EU strategic diplomacy towards Brazil remains essentially the same. The reference document for the EEAS is still the one published by the Commission (see EC 2007a). Moreover, according to the European authorities, 'The two action plans adopted with Itamaraty [Brazilian Foreign Affairs Ministry] are based on the EC's document of 2007'.<sup>1</sup> The substance of the SP's political dialogue has therefore not been modified with the creation of the EEAS.

Concerning the SP's structure, a few changes have been introduced with the Lisbon Treaty. When the EU–Brazil summit is held in Europe, it always takes place in Brussels and no longer in the country holding the EU's rotating presidency. In the past, the EU was represented during those summits by the rotating president and the president of the Commission. Today, the EU is represented both by the permanent president of the European Council and the Commission's President. Last, it is now the EEAS delegation in Brasilia which represents the EU's interests in Brazil and no longer the Commission.

### The drivers of change

The association with Brazil represents for the Union a shift away from its traditional idealistic position, which aims in particular to promote institutions and multilateral cooperation in order to keep states' power under control. Yet in reality, the EU was back-tracking on its original approach: it now sought to work with the emerging powers to promote cooperation at the regional, interregional and multilateral levels. The change of course in the EU's external strategy is significant and can be explained by several factors.

### A more realistic European vision of Mercosur

First, European decision-makers changed their view of LA regionalism. Among the EU institutions and member states, doubts started to surface about the ability of regional blocs, and in this case Mercosur, to become separate entities on the international scene. This new thinking stemmed from Brussels' disappointment with Mercosur. The South American project for regional integration was not living up to Europe's expectations. After existing for some two decades, Mercosur had failed to set up a collective bargaining body, modelled on the European Commission. Moreover, Mercosur had yet to finalise the free-trade area and customs union. Last, it had not adopted common legislation in the fields that were the subject of negotiations between the two regional groups – such as services, investments or government procurement.

Although it has not abandoned its project to negotiate an interregional association agreement with Mercosur, the EU believes that the establishment of a regular communications channel with Brasilia would likely foster interregional negotiation and thus facilitate the conclusion of the agreement between the EU and Mercosur.<sup>2</sup> Yet this has still to happen, in spite of the six summits of heads of state and governments as well as the many meetings held at ministerial and senior official level between the EU and Brazil. So the European authorities

changed their minds about a relationship that had been maintained with the South American bloc for more than 20 years.

This new approach aroused fears and confusion among the other members of Mercosur: they worried that this partnership was a first step towards a bilateral free-trade agreement between the EU and Brazil, at the expense of an interregional association with Mercosur. This has reinforced the conviction of some states – like Paraguay and Uruguay – that they should go it alone and negotiate their own international agreements.

### *Seeking recognition from emerging countries*

The Union's interest in maintaining direct and regular relations with Brazil is also motivated by a search for prestige, visibility and international recognition among the global stage's 'new major players'. The EU's decision-making bodies felt the need to respond to the gradual changes taking place in the world order and the spreading of global power as a result of the rise of China, Russia's progressive return as a political power to the world stage and the way in which South Africa, India and Brazil were asserting themselves internationally. The influence of Asia and emerging countries in the world's economic order was growing at the expense of Western nations. Moreover, rankings of global economies highlight how European countries are falling back just as the emerging ones continue to rise. This explains the significance of Brazil. In 2011, Brazil became the world's sixth-largest economic power, edging out the United Kingdom. Over the last decade or so, Brazil has emerged as an increasingly influential actor on the global stage, economically and diplomatically. Its economy has grown stronger and become more diverse. Its companies have merged and some now operate internationally,<sup>3</sup> investing billions of euro abroad and competing with companies in the industrialised world. Brazil recently became self-sufficient in oil, has increased the number of its trading partners, has a growing influence on global trade and has amassed currency reserves of more than €280 billion. Today the country has even become a donor to the IMF. Furthermore, the funding sources of support programmes for developing countries have grown so much in recent years (€3 billion) that Brazil has become one of the world's largest donors to poor countries (Santander 2012).

Brazil is not afraid to make the most of all these advantages for political and strategic purposes. This situation has also given the country unprecedented international credibility, while attracting considerable numbers of foreign states and economic operators. Its growing influence on the world stage also owes much to the bold dynamism of the leaders in charge of Brazil's external relations. In recent years, Brazilian diplomacy has been active and broad-ranging, more so than at any time in the past; this has given the country far greater international visibility. This move can also be seen in the substantial increase of Brazilian diplomatic representations (embassies and consulates) worldwide (from 155 in 2003 to 224 in 2011), a strengthening of the country's regional base and its relations with Northern powers, the development of 'South-South' cooperation – with the emerging powers and

developing countries, and in the country's stronger presence in multilateral fora (WTO) and/or 'power clubs' (IBSA,<sup>4</sup> BRICS,<sup>5</sup> G20<sup>6</sup>) and its influence in international talks (climate, trade, development aid, etc.).

Consequently, the signing of an SP with an emerging actor such as Brazil can bring economic and trade advantages for European companies. Yet as we noted earlier, it also enables the EU to develop international dialogue with emerging powers on themes of importance for Europe – including climate, trade and energy – or themes linked to security. Furthermore, since Brazil has become an important donor to poor countries and increased its presence in Africa, the EU is encouraging primarily through the Commission and then through the EEAS triangular cooperation (EU/Brazil/Africa). Dialogue and cooperation like this allow the EU to reap the benefits in terms of international recognition and to demonstrate that it is capable of adopting a stance on an increasingly diverse world stage. This is in line with the EU's wishes to project itself internationally as a 'more credible actor and a more influential partner' (Solana 2003: 15; EC 2007b: 3).

### *Meeting the Chinese challenge in South America*

A third reason for forging closer ties with Brazil, was that the EU noted the threats posed by the rise of these new powers to its international presence. For European business interests in LA are increasingly faced by competition, due to the economic expansion of Asia's emerging powers.

This is especially the case with China. Since 2004, it has continually invested in infrastructure, transport and technology in South American countries, and is fighting for a stake in the automotive sector or in public procurement. China is also becoming a key client for raw materials (soya, sugar, oil, iron ore, wood) and the leading supplier of the continent's manufactured goods. Bilateral trade has grown exponentially. Between 2006 and 2011, it rose by 160 per cent, from €54 to 145 billion. China's impressive progress in the region has resulted in the country becoming one of Brazil's leading investors and trading partners. This progress can also be seen in other countries across the region, such as Argentina, Cuba, Chile, Costa Rica and Peru. Although Europe, as a regional bloc, remains the leading investor in this continent (40 per cent) and the US holds second place (17 per cent), China has leapt from twenty-ninth to third place, by virtue of its 9 per cent stake in the total investment in LA. China also has plans to double its investment in LA, in the very short term (ECLAC 2011).

As China continues its expansionism in LA, trade between the EU and the continent of LA is shrinking and European investment in the region has been falling due to the impact of Europe's economic crisis (Price 2012). The US is still LA's main trading partner. Yet forecasts from the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), about the effect of Chinese expansion on the EU28's interests on the continent of LA, suggest that Europe's place will be usurped by 2015 (ECLAC 2010).

Moreover, to support and strengthen its presence on the continent, China has adopted a series of diplomatic initiatives. They include the launch of the China/LA

Forum, China/Mercosur dialogue, negotiations on free-trade areas with several countries, the granting of aid and credit, making regular visits at the highest political level and the adoption in 2008 of an LA 'white paper' that identifies Chinese objectives for the continent. In June 2012, Chinese authorities also made a proposal to Mercosur to negotiate a free-trade agreement.

China's presence on the continent is gradually starting to have a political impact too. Apart from the economic and trade success that China has been enjoying in LA, the country has been granted market economy status by a growing number of countries – some of them large countries (Argentina, Brazil, Chile, Venezuela, Peru); this is a status that the EU and US still refuse to grant to China. China has also achieved recognition of its 'One-China' policy.

By forging close links with Brazil, Brussels hopes not to be left behind, particularly as Brazil is clearly LA's most important economic and trading partner for Europe. In 2011, Brazil became the Union's ninth-largest trade partner and accounts for one-third of Latin American trade with the EU. In addition, 52 per cent of foreign investment in Brazil is from Europe. This investment amounts to some €80 billion, compared with €25 billion for China, and is mainly focused in the tertiary sector (EC 2007b). By forging closer ties with Brazil, Europe's strategic diplomacy also hopes to maintain the EU as the country's leading investor and trade partner, in response to the rise of China in Brazil. The EEAS is aware that 'World trade, economic and strategic competition is growing with the increasing international weight of China, the proliferation of bilateral trade agreements and the raising mega-trade blocs like the Transpacific Partnership.' According to the EEAS, 'In a fast changing world, strategic relations with Brazil need to be maintained and reinforced.' The EU's strategic diplomacy sees Brazil as a lever to 'rebalance the international weight of Asia and the US'.<sup>7</sup> The EEAS is also convinced that by forging close links with Brazil, 'The EU will reach an interregional agreement with Mercosur which will allow it to counterbalance the Chinese penetration in LA.'<sup>8</sup>

#### *Joining forces with Brazil in response to LA radicalism*

Ideological considerations also lay behind the EU's labelling of Brazil as a power and the setting up of an SP with the country. The proposal for this SP clearly emerged as a result of the EU positioning itself in response to the changes seen in LA's political landscape in recent years. These changes followed the continent's 'left turn', which stemmed to varying degrees from a shared rejection of growing inequality, a new legitimacy for the state, a new plan for foreign policy based on greater self-reliance, a distancing from the international financial bodies that promoted liberal monetary policy in the previous decade or a challenging of the traditional economic powers.

These changes resulted in strained relations between the continent and the major centres of economic power, including the EU. However, the nationalist content to be found in some of the economic policies followed by several governments in LA also led to the emergence of significant political differences

between states on the continent. LA reindustrialisation policies and the relocation of production activities – for example, through the introduction of protectionist measures or strategies aimed at regaining control of national energy resources (gas, oil and/or hydroelectric) – created ideological divisions and only exacerbated the power struggle among LA countries. These tensions clearly hampered the building of any form of common identity or the projection of a coherent regional geostrategic space. LA's regional experience was evidently stagnating and its political dialogue mechanisms were being weakened. All this was largely due to the spread of different visions of integration, of distinct representations of the international projection of regionalism and power struggles between states in South America (Santander 2009).

The relative rivalry for sub-continental influence – which set Venezuela against Brazil – is a notable example. In LA, the two countries promote different energy sources: Venezuela backs oil, while Brazil promotes biofuels. They also have very different visions of regional integration, even though Venezuela has taken on board Brazil's project for a Union of South American Nations (UNASUR), created in 2008, and joined Mercosur in 2012. For over 20 years, Brazil has pursued a regionalisation project guided by the principles of free trade and the market economy. This project was conceived as a way of strengthening Brazil's status as LA's leading industrial power, so as to turn the nation into the region's undisputed leader in the eyes of the world, and thus to help Brazil join the small group of major powers with a view to achieving the Brazilian dream of a multi-polar world. Not surprisingly, Brazil has encouraged Venezuela to join UNASUR and Mercosur. This is Brasilia's attempt, to the extent possible, to control Caracas and have the entire South American continent under its leadership.

Yet unlike Caracas, Brasilia has no intention of reviving the spirit of Bandung or of rekindling any kind of anti-imperialist front. On the other hand, Venezuela is using its petrodollars to co-opt governments that share a similar ideology to its own to develop its *Bolivarian Alliance for the Peoples of Our Americas* (ALBA),<sup>9</sup> which is based on an exchange system that calls on a form of bartering and aid. This Chavez initiative, now adopted by the new Venezuelan president Nicolas Maduro – and shared by other LA governments – is notable for its opposition to neo-liberal capitalism and for a willingness not to limit the state's regulatory action in economic affairs.

European authorities are wary of the rise of economic nationalism and political radicalism in LA, as can be seen in various EU documents (see EC 2007a, 2007b). By developing a SP with Brazil, the EU is taking a position on the ideological and geopolitical changes happening in LA. Compared with the radicalism of Venezuela and other states in the region (Bolivia, Ecuador, Nicaragua, etc.), Brazil is seen by Brussels as a moderate and serious country. According to an EU document offering a strategy for relations between the EU and Brazil, Brazil has maintained 'balanced relations with the USA or the European Union' (EC 2007b: 8–9) and has a 'prudent and stable macroeconomic' strategy that benefits foreign companies and investors. It is also considered a potential stabiliser, capable of tempering the political radicalism and economic nationalism flourishing in LA.

### Viability of the strategic partnership

#### *Brazil shows limited interest in the EU*

Brazilian authorities are delighted that the EU has raised the status of their country, as they are eager to win international approval. In Brasilia, Europe's initiative has also been interpreted as a form of approval, especially as Brazil is the first and one of the few countries in LA to be given this status of 'Strategic Partner'.<sup>10</sup> As far as Brasilia is concerned, the EU is a major economic power. That said, Brazil sometimes struggles to understand the EU's intentions. Brazilian authorities have for example noted that while the EU is developing an SP with Brazil, some European countries (France, Sweden, Portugal, Spain and Germany) are each developing their own SP with Brazil. This somewhat confusing European approach inevitably affects the EU's image in Brazil.<sup>11</sup> However, Brazil has noted the changes introduced by the Lisbon Treaty: the Brazilian mission to the EU has a unit in charge of the SP and this unit works closely with the one in charge of EU/Mercosur relations. Brazilian authorities have therefore shown some strategic and geopolitical interest in the EU. Indeed, while observing the growing pace of Europe's construction and seeing the EU take on new roles the internationally, Brazil sees the EU as a developing power centre capable of rebalancing global power.

In the post-Cold War world, Brazilian officials in charge of external action clearly saw the US as the leading global power. However, they also realised that the end of the bipolar world was creating action spaces for players eager to exert greater external influence and they realised that there were new opportunities to build a multi-polar world. The project to create a regional space – under Brazil's leadership – in South America was in line with this multi-polar strategic thinking. Against that background, Brazilian authorities paid special attention to the European regional project. They saw it as a rich pool of ideas for integration, a pool that could serve as inspiration, insofar as is possible, for regionalism in South America. This project was seen as preferable to NAFTA, which served as a reference for the US in the bid to establish the FTAA. Washington's intentions were viewed by Brasilia as threats to its project for the regionalisation of South America. At the same time, the rapprochement pursued by the EU with Mercosur and the negotiations for an interregional association agreement were all seen as elements conducive to international recognition of the South American bloc and its consolidation. Brazil therefore quickly saw that relations with the EU could serve as an important lever to balance the country's relations with the US, and was an alternative to the FTAA project.

Notwithstanding the failure in 2005 of the FTAA and the US's relative disinterest in LA, there has been no change in Brazil's visions and strategic concerns – notably achieving a balanced entry on to the international scene and constructing an increasingly decentred world. Brazil has continued to forge ahead with multi-directional diplomacy (see above) in order to keep on diversifying its partners and to avoid where possible getting caught up in a web of relationships with

just a few players. So far as Brazilian authorities are concerned, relations with the EU have remained relatively strategic.

This is especially true in the context of the rise of Asia in South America. Although Brazil was not pushing for the SP initiative with the EU, it welcomed the partnership with interest and went along with it. Moreover, this focus on Brazil allowed the country to raise its profile and achieve greater recognition as an international player. The country was also able to continue diversifying its foreign policy and to some extent to position itself as a counterweight in its relations with Asian powers. The expansionism of these powers in LA started to worry Brazil. It had the same kind of fears when it saw the future of its industrial project threatened by the US and the FTAA.

Brazil has started to worry about relations with Asian countries. Its manufactured goods are getting harder to export and to compete with those made in China, India and other Asian tigers. The Brazilian economy increasingly depends on the country's raw materials to accumulate trade surpluses. Brazil's political leaders and top entrepreneurs worry especially about the way its relations are developing with China. Economic relations with China increasingly resemble a North–South type of trade scheme, and this has raised fears in Brazil of the risk of the 'Dutch disease'<sup>12</sup> (Bresser-Pereira 2010). Brazil supplies the Chinese economy with oil, coffee, sugar, tobacco, meat and soya beans; for its part, China invests tens of billions of dollars in the Brazilian economy to ensure a supply base for its natural resources. Chinese investment concentrates mainly on energy sectors (54.7 per cent), minerals (22.3 per cent), the steel industry (11.8 per cent), port operations (3.4 per cent), electrical energy (3.3 per cent) and recently agribusiness (buying land to grow soya beans for the Chinese market) (Crebec 2011). Chinese goods exported to Brazil are also mainly manufactured (textiles, household appliances, automotive equipment) and are discounted, thanks to an undervalued yuan. This competition strongly affects Brazil's industry and helps to shift Brazilian manufactured goods away from their natural markets in LA, especially as the value of the Brazilian real remains high. Moreover, even though China's arrival was initially welcomed as an economic and commercial opportunity, Brazilian authorities today do not want to be locked into too close a relationship with the country.

In this context, relations with Europe take on a strategic dimension, notwithstanding any differences between the two sides, especially in terms of agriculture. Brazil is aware that private capital from Germany, Italy, the United Kingdom and France, and later from Spain and Portugal, with the encouragement of the European Investment Bank (EIB), has contributed extensively to the country's industrialisation for more than 40 years (Graças Rua 1999). Closer cooperation with the EU is thus seen as a guaranteed way of sustaining and consolidating European investment in Brazilian industry and of further pursuing the country's technological development. Brazil has therefore hoped that this collaboration would lead to more technology transfer from Europe.<sup>13</sup>

The EEAS is aware of the situation and believes that the difficulties now faced by Brazil and its industry could play in favour of the SP. In other words, it 'could help the EU to keep its position as leading investor and trade partner in Brazil'.<sup>14</sup>

### *Weak convergence of views on key issues of international politics*

The EU–Brazil relationship however also faces difficulties or serious limitations. The main motivation for the partnership was to set up a bilateral political dialogue and thus to enable the parties to ‘work[ing] together to take leadership and exert responsibility on regional and global issues, and in multilateral fora’ (EEAS 2011b). In other words, the relationship was chiefly envisaged as an association for contributing to global governance. However, although the parties are working to create a common agenda, they have very different views on what needs to be done on a variety of different international issues at the heart of the partnership.

These issues include climate change and solutions to it. For many years, the EU has tried to play a key role on climate change. It actively contributes to the preparation and monitoring of international discussions on it, and defines the outline of multilateral commitments in the fight against global warming. It has sought international support, especially from Brazil, to defend its position and hoped that the SP would advance its position. However, as has been shown by the various international negotiations on climate, Brazil stands more on the side of those who, like other emerging countries (China, India, South Africa), defend the principle of ‘common but differentiated responsibility’<sup>15</sup> (and therefore reject the European proposals).<sup>16</sup> Indeed, Brazil is opposed to the EU proposals, which involve adopting binding target figures to reduce greenhouse gases.

Another international issue where Brasilia and Brussels do not see eye to eye, even though the Union presents it as an ‘area in which the EU and Brazil are allies’ (EEAS 2010), is solutions to the global economic crisis. To date, the Union has tended to promote liberal monetary policies and austerity as a way out of the crisis. Brazil however has called for a stimulus plan in favour of growth. Its authorities believe that the drastic fiscal measures implemented in Europe will only result in more difficulties and stagnation. Like the other emerging powers, Brazil fears that the European crisis will lead to a new global financial and monetary crisis. Therefore, as these countries see the situation, recovery from the crisis cannot be envisaged without investment or boosting domestic demand. This taking of open positions was not well received by the presidents of the European Council and the Commission. They viewed the positions as attacks on Europe, as can be seen in the Fifth EU–Brazil Summit (October 2011) or the G20 meeting in Los Cabos, Mexico (June 2012).

Furthermore, the European crisis, which has damaged the EU’s credibility and the economic influence of its member states in the world, also represents an opportunity for the Brazilian authorities to call for a downward adjustment of the power enjoyed by European member states in the decision-making process of international institutions. The crisis has also harmed the EU’s image abroad – particularly in Brazil, where the media often depict it as a ‘continent on the verge of collapse’. This influences the behaviour of Brazilian officials, who are less inclined to work closely with EU representatives on a daily basis.<sup>17</sup>

Trade is also a contentious issue. The SP and political dialogue were envisaged and presented as levers to unblock trade talks held directly with Mercosur and under the WTO. That said, working with Brazil is no guarantee that talks with Mercosur will be unblocked or that new momentum will be breathed into interregional relations. There are still reasons for the incompatible positions of the two with regard to trade – positions notably found in the negotiations between the Union and Mercosur. Brazil, like the other Mercosur countries, is defending offensive interests in agriculture. But the EU views Brazil’s agriculture requirements as a threat to the subsidies that the EU gives to production and export under the EU’s Common Agricultural Policy.

Of all the South American countries, Brazil also has the most defensive interests. So much so that European negotiators have long considered Brazil to be the toughest negotiating partner in this round of interregional trade talks (Klorn 2003). Their viewpoint even takes into account the fact that other Mercosur member countries, such as Argentina’s Kirchner/Fernández, are apparently less willing than they were previously to open up to international trade competition, as they today pursue a policy of re-industrialising their economy. Brazil sees European demands for liberalisation of investment, services and public procurement as threats to its industrial policy project. The European negotiators’ proposals on the protection of intellectual property rights are also seen as serious problems by the Brazilian authorities. This situation echoes the one in the multilateral negotiations at the WTO. The Brazilians and Europeans therefore have fundamental differences of opinion, in both the interregional talks and talks on trade multilateralism. So on these issues, the partnership between the EU and Brazil is far from strategic.

### **Conclusions**

The establishment of a direct and regular channel for relations with Brazil reflects the EU’s determination to adapt its action to the changes seen over recent years in the international system and in LA’s politics. The first decade of the twenty-first century was chiefly marked by the growing power of the ‘emerging countries’ and the shift in global power. By building ‘Strategic Partnerships’ with so-called ‘emerging powers’ (see also the chapters by Casier and Allen-Smith in this volume), Brussels aims to create economic benefits for European multinationals. Brussels also hopes to increase its visibility to be recognised as a player on the world stage and to show that the EU can also operate in a state-centred world.

The EU’s desire to develop an SP with Brazil predates the Lisbon Treaty. The establishment of the EEAS has not significantly changed the development of EU–Brazil relations. In terms of content, the Commission communication ‘Towards an EU–Brazil Strategic Partnership’ of 2007 is still the document of reference for the EEAS. So since the establishment of the latter, the EU strategic diplomacy towards Brazil has not undergone major political changes. Just a couple of arrangements have been made to European representation at the

bilateral annual summits. Furthermore, the EEAS does not play a leading role in the SP, but it does try to coordinate the activities relating to this relationship. A significant number of European services are also concerned by relations between the EU and Brazil.

On the Brazilian side, the SP was welcomed with enthusiasm, since Brazil is accorded recognition as a key interlocutor in the relationship between the EU and L.A. The European initiative fulfils Brazil's dream of achieving prestige, visibility and international recognition. Brazil also sees the partnership as a means of attracting European investment, which it needs to solve its problem of deindustrialisation. Last, the initiative also represents a way for Brasilia to further diversify its external relations beyond those with the US and China.

However, this partnership also faces certain constraints. For EU–Brazil relations are somewhat challenged by the contradictions arising from the strategies of the two sides and in particular those of the EU. While the latter develops an SP with Brazil, its member states are also developing individual SPs with the country. This somewhat confusing European approach inevitably harms the EU's image in Brazil, which is already damaged by the fallout of the Eurozone crisis. Another problem is a lack of coherence in the EU's strategic diplomacy. For more than 20 years, the EU has supported regionalism and interregional relations with Mercosur. The EU's selective bilateralism has raised doubts among Mercosur's other members – even generating a centrifugal effect in regional integration, something the EU has always tried to avoid. This strategy seems contradictory to the EU's traditional preference for interregional relationships. Consequently, the EU and its interregional approach are losing credibility in terms of international regionalism. It also seems to have forgotten that it was the EU model of integration that helped the Union over the last two decades to build a sort of identity as an international player in other regional blocs and to heighten its profile on the world stage. The thorny question now facing the EEAS is how to ensure that the EU's interregional strategy and its strategy towards rising powers are complementary rather than competitive.

Last, regarding a whole series of regional, interregional and global challenges, the EU and Brazil, despite the current rhetoric, are far from being Strategic Partners. For they have differences of opinion on trade talks, climate and the solutions required to tackle the global crisis. So the bilateral relationship is for the EU and Brazil both an opportunity and a challenge. In some cases they are partners and act as such, while in others they are major competitors with one another.

## Notes

- 1 Taken from an interview with Mr Matteo Gomitato, EEAS, 18 September 2013.
- 2 Taken from an interview with Mr Matteo Gomitato, EEAS, 10 February 2012.
- 3 See Embraer (aircraft industry), Petrobras (oil), Odebrecht (construction), Vale (mines).
- 4 Brazil, India, South Africa.
- 5 Brazil, Russia, China, India, South Africa.

- 6 A group of countries made up of industrialised and emerging countries, designed to foster international cooperation.
- 7 Taken from an interview with Mr Wiktor Staniecki, EEAS, 23 September 2013.
- 8 Taken from an interview with Mr Matteo Gomitato, EEAS, 18 September 2013.
- 9 Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Nicaragua, Saint Lucia, Saint Vincent and the Grenadines, Venezuela.
- 10 Only Mexico would be granted this status after Brazil had got it.
- 11 Taken from an interview with Luciano Mazza, Mission of Brazil to the EU, Brussels, 10 February 2012.
- 12 An economic phenomenon that links exploitation of natural resources and the decline of local industry.
- 13 Taken from an interview with Mr Tiago Ribeiro dos Santos, Foreign Affairs Ministry, Brazil, 8 November 2012.
- 14 Taken from an interview with Mr Wiktor Staniecki, EEAS, 23 September 2013.
- 15 Taken from an interview with Mr Paulo Alves Neto, Foreign Affairs Ministry, Brazil, 7 November 2012.
- 16 This principle recognises both historical differences in the contributions of developed and developing states in terms of global environmental problems and differences in their respective economic and technical capacity to address these problems (CISDL 2002: 1).
- 17 According to European civil servants in Brasilia, the crisis in Europe has made it harder now for them to reach the Brazilian government's key decision-makers or to make appointments with them. Taken from interviews with Piero Venturi and Marco Chirullo, of the EEAS, in Brasilia, 5 November 2012.

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