

The EU's challenges in a changing world

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SOME INTRODUCTORY IDEAS

By María Pallares (FES Program Coordinator) and José Luis Escario (Fundación Alternativas European Union Coordinator)

1. A double power shift

The global financial crisis has accelerated the power shift towards the emerging economies. China is already the second-biggest economy in the world, India the fourth and Brazil took UK's sixth place in terms of GDP adjusted for purchasing power parity (PPP). Assuming political and institutional stability, several indicators show that it is likely that the largest E7 economies (China, India, Brazil, Russia, Indonesia, Mexico and Turkey) will catch up the G7 economies by 2040. China and India could overtake the United States by 2050. At that stage, only five European nations will be in the top 20 of the most important economies, compared to eight today.

The rise of new powers has already begun to reshape international relations. For example, the G20 leaders' meeting has probably become the most relevant actor of the international scene, replacing former G8. Furthermore, emerging countries know how to take advantage of the informal structure of this kind of fora to optimise their influence. At the last G20 summit at Los Cabos (Mexico), the leaders of the emerging economies have exercised an intense pressure on European countries for them to adopt concrete measures to solve the euro crisis. Meanwhile, China contributed with \$43.8 billion to the International Monetary Fund (IMF) fund to rescue Spain and Greece. India, Mexico, Brazil and Russia also put \$10.2 billion each. The Mexican President, Felipe Calderón, underlined that The United States could not contribute due to "serious restrictions of a legal and political nature." Clearly this situation would have been impossible to imagine 10 years ago, when no one would have questioned the Western hegemony.

If nation states and intergovernmental institutions still remain at the heart of international system, the increasing number of non-state actor (NGOs, multinational corporations, transnational criminal groups etc.) and international fora are challenging the traditional policymaking at the international level. As a consequence of globalisation and technological developments, these new actors are able to promote their own interests and pursue actions worldwide. Nowadays, tourists, journalists, media, pressure groups, social media companies, think tanks and even celebrities etc. are empowered to take part in international politics and count with new platforms to optimise their power.

2. The European crisis

This double shift seems irreversible. For Europe, this situation offers at the same time opportunities and threats. A multi-polar world can potentially increase its influence but could also mean losing weight at global scale. Therefore, how should the EU deal with these changes: assuming its diminishing influence and therefore adjusting its ambitions? Or rather capitalizing and mobilizing its remaining resources through alliances with the new actors and strengthening its global role?

The Lisbon Treaty that entered into force in 2009 does provide the EU with new instruments and assigns ambitious objectives in matters of external action. Of a particular importance are the appointment of a High Representative for Foreign Affairs and Security Policy, who is also the Vice-President of the European Commission (HR/VP), as well as the establishment of the European External Action Service (EEAS) to support the post.

However, the ongoing economic and financial crisis undermines the capacity of the Europeans to define their place within this new paradigm and act accordingly. The euro crisis has totally absorbed European leaders and therefore eclipsed any other matter. The financial resources allocated to CFSP and defence have also dropped down: according to the Stockholm International Peace Research (SIPRI), the military expenses have diminished from \$289 billion in 2008 to \$281 billion in 2011. At the same time, it is foreseen that military expenditure of Asian countries will overtake European one next year.

More broadly, the economic and debt crisis is questioning the European project as a whole. Therefore, the fate of the EU foreign policy and the Eurozone are closely linked. Probably an implosion of the Eurozone would leave no chance for a common European foreign policy.

3. The need of new international architecture

Given the significant changes in the international scene, advanced countries have an ever-growing need of engaging emerging powers in order to address, in a coordinated way, shared global challenges. Cooperation and collective action are needed to tackle global challenges, as well as effective institutions and legitimate rules.

In this respect, the current **international architecture** is both imperfect and unsuitable since it reflects, in most cases, the old order that emerged from World War II. Thus, several voices have risen defending the idea of a new Bretton Woods agreement that takes into account this new era of complex multilateralism in a multi-polar environment where hegemony is not that of Western powers.

It would seem reasonable to consider a power shift in favour of emerging powers, meaning higher representation in the governing bodies of international forums, as well as a more advantageous voting power (**power sharing**). At the same time, these countries should share the responsibilities derived from multilateralism and make a larger economic contribution to it (**burden sharing**).

4. A new world order: challenges and threats for the EU

These changes in the world order do not necessarily mean surrendering the EU's interests but rather seeking ways to enhance them in a different international context. The EU and the US remain predominant in several domains such as international trade, military expenditure and, international cooperation. At the same time, the EU is still one of the main advocates of ideas like effective multilateralism, inclusiveness, equity, sustainable development, collective security, respect for human rights, the rule of law and fair trade practices.

In this new setting, a wise strategy for the EU would be, instead of resisting inevitable change, to take advantage of the situation and help co-shaping the new order alongside other relevant actors. In a context in which emerging markets are already important sources of financing, the BRICs are questioning the US and EU's leadership in international institutions. The question is whether the EU has both the capacity and the will to take the lead in a global governance reform. At the moment, the EU seems self-absorbed in its own internal problems and delaying the task of reforming international multilateral system.

Furthermore, there are many signs that indicate that the EU is not yet a full-fledged global actor, or at least that it is far from realizing its full potential. This is due to a series of obstacles standing in its way such as the crisis, the lack of governance or the loss of competitiveness. One of the main obstacles preventing the EU from becoming a leader are the **fragmented and divergent positions among member states** (MS) that occasionally arise over major international issues and which impede the Union from acting with the necessary speed and determination in international affairs. It is also true that CFSP is still ruled by an intergovernmental logic that limits the EU's mechanisms for rapid reaction. Power remains in the hands of the MS within the framework of the Council and decisions are still generally made by unanimity. It would not be a matter of always sharing "one voice" but rather of communicating "one message" resulting from internal coordination prior to international forum meetings.

5. Which role for the EU in this new global architecture?

The EU is facing a gap between its considerable weight and its lesser influence in international organisations and forums.

To mitigate this circumstance, several courses of action are possible. Firstly, the EU could promote a **change in the membership structure of several International Organisations (IOs)**, exploring the possibility of obtaining Regional Integration Organisation status (as is the case in the UN's General Assembly). Secondly, the EU's current status in IOs could be upgraded, seeking full membership in organisations that deal with issues of exclusive and shared competences of the EU. For example, in the IMF, in charge of monetary issues that are considered as an exclusive EU competence, the EU barely has the status of observer. At the World Bank or the UN something similar happens. In fact, the EU has reached a level of representation corresponding with its competences on very few occasions. The FAO and the WTO are two examples of this.

It is true that **institutional innovations in the Treaty of Lisbon** encourage striking new balances between EU institutions and its MS. A big step forward is, without a doubt, that **the EU now possesses legal personality** (Article, 47 TEU). Thanks to this, the EU can now act as a contracting party and a member of an international convention or an international organisation. Also important is the Treaty's addition of two new figures for EU's external action: the HR/VP and the President of the European Council. The position of the HR/VP is especially relevant given that it is also the President of the Foreign Affairs Council. The triple-hatted position of the HR/VP grants him **the capacity to provide consistency to the different policies of EU's external action** (Commercial Policy, CFSP, Environmental, energy, etc).

However, it remains to be seen if the HR/VP, with the assistance of the European External Action Service (EEAS), will be able to maximise its full potential or, on the contrary, this inter-institutional placement ends up relegating the HR to a position of weakness. Another possible risk after Lisbon is that the increased number of players and personalities taking part in the EU external action may cause a conflict of competences between them (gray areas) or a cacophony of voices in the ears of outside representatives.