Time is up for a Europe resting on its foreign policy laurels

Daniel Schade, the Deputy Chairman of the Project for Democratic Union (PDU), explains why Europe’s status as an economic giant but political dwarf simply isn’t enough anymore.

Little could Belgian’s former Foreign Minister Mark Eyskens know how far his foresightedness extended when he uttered his now famous aphorism: “Europe is an economic giant, a political dwarf and a military worm.” He made his comment amidst the political woes of the first Gulf War in the early 1990s, arguing that Europe’s clout in the world disappeared almost entirely beyond the external effects of its internal market integration. 24 years later, the meaning of his words couldn’t ring truer.

Despite various reforms to the European Union’s foundational treaties since then, all partially aiming at giving Europe more political coherence and unity in the world, not much has been achieved in this realm. The assessment rings even more true when it comes to military issues, despite the creation of a dedicated European military presence with the creation of the Common Security and Defence Policy (CSDP). In a nutshell, when it comes to politics and the military, Europe today is pretty much what it was almost a quarter of a century ago.

Worse still, while considerable progress has been made to increase the EU’s role in and for the international economy by giving it more powers with every treaty reform since Maastricht, this has been counterbalanced by an ever more complex international environment. Where it was sufficient in the past for the EU to play its card as the world’s largest economy to influence global policy, today’s realities require a new European attitude. This is firstly due to the fact that Europe has always punched considerably below its weight. This is now combined with a second reality: that Europe is becoming less and less important in the contemporary world.

In an ideal world, a qualitative jump of Europe’s powers would be required to tackle both of these problems. As this is likely to remain a pipe-dream in the medium term with the EU in introspective crisis mode, a significant increase in Europe’s foreign policy visibility is the least that can be done.

Europe’s role in structuring the global economy

Let us begin with the good news: despite the fact that Europe’s economy has not grown significantly ever since it was hit by its worst crisis since the Great Depression, the 28-country bloc still remains the world’s largest economy. It accounts for almost one quarter of the world’s gross national income and one sixth of world trade.

It also holds considerable clout in some of the institutions governing the global economy. As the world’s largest trading power, its influence at the consensus-driven World Trade...
Organization (WTO) is considerable, as the whole of the EU is represented with a single seat for the EU institutions, rather than 28 for its individual member states.

Through its sheer market power, the EU is equally able to significantly influence global product, as well as trading standards. Its ability to grant access to the single market is a further policy tool that can wield considerable power if used wisely. Take the example of the recent EU-Canada Free Trade Agreement (FTA). Through the agreement, Canada—which is a G7 power in its own right—will be required to accept some of the EU's protected agricultural product names and standards.

The possibility of preferential access to the EU's single market is so attractive for third countries that the EU is currently overwhelmed by requests to either conclude completely new agreements or significantly update existing ones—if talks were to begin with all of these countries at the same time, the EU Commission's negotiating teams would not be able to cope anymore, rather than being simply overworked as they are now.

Beyond its market and trading power, the EU nominally equally holds a significant vote share at other institutions governing the functioning of the global economy. These are namely the International Monetary Fund (IMF)—of which the president is traditionally always a European—as well as the World Bank.

Yet, this is where similarities to the image of Europe as a trading power end. Where the EU holds a single seat at the WTO, its position at the IMF and World Bank is merely that of a sum total of the EU's member state seats, which are all represented individually. Rather than being a visible actor in these institutions, the EU is hence dependent on the clout of its individual member states, none of which remain economic superpowers in their own right. Even Europe's largest economy, Germany, accounts for only 5.81 percent of votes under the current IMF system, compared to the United States' 16.74 percent.

This is exacerbated by the loss of perceived legitimacy of the above institutions. The IMF's antiquated voting shares and rules are set to be altered to more adequately represent today's global economy by giving rising powers more influence. However, this reform, which was agreed to in principle by the G20 in 2010, has remained in gridlock ever since. This is due to a blockade of the reform by the United States of America, as well as a more tacit passivity on the part of Europe's IMF members. The former would lose its veto power with the reform, whereas Europeans are equally concerned about losing their possibility to nominate the institution's head. Even if the reform were to be adopted today, however, it would already lag much behind current economic realities, with the BRICS countries accounting for roughly 20 percent of the world's economy.

The recent move by the BRICS countries (Brazil, Russia, India, China and South Africa) to create the so called New Development Bank (NDB) project is evidence of a loss of confidence in the existing institutions, as well as a gradual shift of power away from Europe and North America. Currently the above countries generate more than 20 percent of the world's GNI, whereas their vote share only accounts for little more than 11 percent at the IMF. The New Development Bank, which is modelled after the original example of the IMF, hence has the potential to significantly alter the functioning of the global economy.

“... the domain of Europe’s foreign policy remains even more bifurcated than in the realm of the single market or its development policy”

Rather than play a more active role in reforming the existing institutions and adapting them to reflect current realities, the EU has remained largely absent from the debate. This is due to member states being reluctant to give up their individual seats at the above institutions, as well as their historically important voting shares. The EU's internal quarrels about rescuing Greece and the related role of the IMF certainly haven't helped either.

Without becoming more visible within institutions like the IMF, and accepting new realities, however, Europe may soon find itself side-lined from the most important decisions on the global economy.

**Development policy dilemmas**

Another realm where the European Union would nominally appear to be a giant is that of development policy. With 58 billion euros the EU's combined Official Development Aid (ODA) in 2014 amounted to almost half of the total 120 billion euros reported, largely surpassing the United States' 25 billion euros.

Yet only a small portion of these sums, little more than 12 billion euros, were disbursed through the EU institutions, such as its development aid agency EuropeAid or the European Investment Bank (EIB). The remainder was distributed directly by member states, giving these an individual development aid presence. Aside from the obvious problems of maintaining dual structures and attempting to coordinate the different efforts, this once again poses important visibility problems for the EU.

Where European Development Commissioner Mimica boasted with the above impressive total numbers in the context of the recent Addis Ababa Conference on Financing for Development, the reality remains that aid is pledged and disbursed through a number of different agencies, ministries and institutions—making it more difficult to grasp Europe's impressive collective role in development.

The EU is hence once again punching far below its nominal weight in this policy domain, as the individual contributions of its member states don’t generate the same clout or visibility that a truly European development policy would.

More so, the role of the EU institutions at international negotiations is somewhat bizarre. While Europe reiterated its goal to spend 0.7% of its Global National Income on official development aid in the future at the recent Addis conference, the EU is unable to modify its policy on its own and depends entirely on individual member state policies. If individual countries cut their ODA funding like Finland recently did, the EU institutions have no way to counteract or prevent such decisions.

While Europe's position in the realm of development policy looks even stronger than its contribution to the world's
economy, a similar shift of importance of Europe’s position can equally be observed. Whereas Europe is the champion of ODA and will nominally remain so for much longer, the above statistics ignore the fact that countries like China pursue their own kind of development policy. These countries either chose not to report their numbers for political purposes, or conduct development policy in such a way that would not qualify for it to be officially classified as such.

Even with a close to 50 percent share of the world’s official development aid, Europe’s position in development policy is hence equally dwindling. Much as in the realm of managing the global economy, it is only by becoming more visible that Europe can counterbalance its ongoing loss of importance.

An incomprehensible foreign policy
Europe’s visibility problems can perhaps be illustrated best in the case of more traditional foreign policy. Despite ever-increasing attempts to graduate Europe from its role as a political dwarf, none of this has led to any significant changes to Europe’s visibility or influence.

While EU government now contains a proto-foreign minister, its problematic position within the EU’s organizational chart has possibly rendered the EU’s visibility troubles worse in this domain. Rather than limiting the number of people who can officially speak on behalf of Europe, the EU now has three different posts that can be considered to fulfil such a function. These are namely the High Representative (Federica Mogherini), the President of the European Commission (Jean-Claude Juncker), as well as the Head of the European Council (Donald Tusk).

Worse still, the domain of Europe’s foreign policy remains even more bifurcated than in the realm of the single market or its development policy. For instance, while the EU now has a right to speak on its own behalf at the United Nations, its member states are not bound to vote in line with the position of the representative of the European Union itself.

At the regular summits between the world’s most important countries, the G7 and the G20, the EU is also represented in its own right. Unlike any of the other participating states—some of which are EU member states themselves—it has to be represented by both the European Commission President, as well as the Head of the European Council due to the proliferation of its representative posts. Much as in the policy domains described above, it remains difficult to imagine for the EU itself to gain in visibility or influence at such meetings when its most important member states are also represented individually, and without giving the EU’s institutions decision-making power over the kinds of issues discussed at such summits.

Once again, coordinating the positions of the EU’s members partaking in such meetings could address parts of the issue in this domain in the short- to medium-term.

The overarching need for visibility
The above examples clearly show that the days where Europe could happily content itself with its role as an economic giant are numbered. While the list of policy areas which can be used to illustrate similar problems is much longer, the elements depicted above should give a clear overview as to what kinds of issues Europe is facing when it comes to its global role.

In an ideal world, the answer to these problems of Europe’s waning influence would be simple, namely making sure that Europe does more of what states have traditionally done themselves. And this is indeed what needed to have happened yesterday for Europe to retain a significant voice in the world. However, as this remains a least-likely scenario for the time being, we should nevertheless look at interim measures to be taken.

The answer in most cases is a simple one: more visibility for what Europe is and what it already does. If member states voluntarily agree to coordinate the remnants of their influence in international organizations or policy fields like development, Europe’s visibility and clout can be significantly increased without altering the functioning of Europe itself, or indeed that of the international system. In essence, Europe today needs to do more with what it already has.

We need to embrace this possibility now if we are to ensure that our values and our identity continue to play a role in shaping the world of tomorrow. While the recent downturn of the BRICS economies may give us some more breathing room, we should not waste this opportunity in idleness—we should not wait to speak up until we have already been excluded from the international conversation.