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# THE UNRAVELLING OF THE EU

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Divided on foreign and defence policy, the EU seems to be slipping backwards. It must learn to speak in one voice, or others will shape the new world order

CHARLES GRANT

**I**n the multipolar world that is emerging, which powers will matter? The US and China, certainly. India, perhaps. Japan, Brazil and South Africa? Not yet. And what about the EU? Ten or even five years ago, the EU was a power on the rise. It was integrating economically, launching its own currency, expanding geographically and passing new treaties that would create stronger institutions. But now, although the EU is respected for its prosperity and political stability, it no longer looks like a power in the making. If anything it is slipping backwards.

On many of the world's big security problems, the EU is close to irrelevant. Talk to Russian, Chinese or Indian policymakers about the EU, and they are often withering. They view it as a trade bloc that had pretensions to power but has failed to realise them because it is divided and badly organised. Barack Obama began his presidency with great hopes of the EU but is learning fast about the limitations of its foreign and defence policy: few of its governments will send soldiers to the dangerous parts of Afghanistan, and some senior figures in Washington now worry about the EU's ability to ensure stability in the Balkans or its eastern neighbourhood.

But does the EU's unimpressive performance on hard security matter? Should not the 27 governments just focus on deepening the single market, while they pursue their own national foreign policies and count on Nato to keep the

peace? The EU does need to improve its act because the world is changing in ways that may not suit it. It is not clear whether the new multipolar world will be multilateral—with everyone accepting international rules and institutions—or an arena in which the strong pursue their objectives through the assertion of military and economic might. The EU is instinctively multilateral, but the other big actors—the US, Russia, China, India and so on—can be unilateral or multilateral, depending on their perception of their interests. So the EU must try to persuade these powers that they can best achieve their national objectives through multilateral institutions. A weak EU will make that task harder.

The EU does of course wield soft power and this should not be sniffed at: it offers an attractive social, economic and political model to neighbours that want to join. The EU is leading global efforts to construct a post-Kyoto system for tackling climate change. It provides more than half the world's development aid and imports more goods than any other trade bloc or country. It offers a model of multilateral co-operation that looks attractive to other regions—and at various times the African Union, Asean and Mercosur have tried to emulate aspects of what the EU does.

But the EU should not take its soft power for granted. Its economic model is viewed as sclerotic in Asia. The recession has hit Europe harder than the US, China or India. Even before the downturn, the EU's rate of growth was below that of the US. International rankings of higher education show

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### Can the EU take a joke? Czech artist David Czerny's spoof installation on the European parliament building in January

European universities falling behind the best in the US.

Nor can the Europeans yet regard the euro as an unqualified success. During the recent financial turmoil the currency has offered shelter to the countries that adopted it. But the south European countries have insufficiently flexible economies to flourish within the eurozone. They suffer declining competitiveness and big current account and budget deficits. The financial markets worry about their long-term ability to stay in the eurozone. Greece looks like the weakest link, and if its membership became an open question, the financial markets would quickly demand a large premium for lending to other weak economies. To prevent the contagion spreading, the EU would bail out a government in serious difficulties—but it would not lend without imposing painful conditions that politicians would find hard to swallow.

#### THE GREAT FOREIGN POLICY DISASTER

The EU's most glaring failure has been in foreign and defence policy. Hopes were high ten years ago when Javier Solana was appointed the EU's first high representative for foreign policy. At the same time Tony Blair and Jacques Chirac invented the European security and defence policy (ESDP), which has led to the EU deploying two dozen missions of peacekeepers, policemen and civilians to troubled parts of the world.

The EU has notched up some achievements. Britain, France and Germany, together with Solana, have led the international diplomacy that has sought to prevent Iran from

building nuclear weapons. So far the Europeans have held together and drawn the US into the negotiations, though they have not persuaded Iran to abandon uranium enrichment. Some ESDP missions have made a difference, such as sending peacekeepers to Bosnia, Chad and Eastern Congo, unarmed observers to monitor the peace settlement in Aceh in Indonesia, and a flotilla to combat pirates off the coast of Somalia.

The member states have usually managed to keep a common line on the Balkans, and the EU's presence in Bosnia and Kosovo has helped to ensure peace. But in the past few years, the Europeans have appeared increasingly disunited and ineffective. In February 2008, when the US and most European countries recognised the independence of Kosovo, five EU states did not, shattering the united approach to the Balkans that had been so painfully forged in the 1990s. They did so either because of close relations with Serbia (Slovakia and Greece), worries about parts of their own territory seceding (Romania and Spain) or both reasons (Cyprus). All 27 have subsequently supported the EU's dispatch of administrators and judges to Kosovo—member states tend to agree more easily on practicalities than on points of principle.

Nevertheless EU policy in the Balkans is now messier than it has been for many years. Slovenia is blocking Croatia's accession to the EU because of a border dispute, Greece is thwarting Macedonia's progress towards membership because of its name and the Netherlands will not allow the implementation of Serbia's stabilisation agreement ▶

because it has failed to catch the war criminal Ratko Mladic.

This year the embarrassments have multiplied. During the Gaza conflict, Czech foreign minister Karel Schwarzenberg led an EU presidency mission to the region at the same time that French president Nicolas Sarkozy was there on his own. In April, the Poles, Czechs, Italians and Dutch followed the US in boycotting the UN conference on racism in Geneva, accusing it of anti-Israeli bias, while their EU partners turned up.

And the London G20 summit in April exposed the ludicrous over-representation of the EU in the international institutions. As well as the countries that are formally G20 members (Britain, France, Germany and Italy), the EU was represented by the commission, the Czech republic (as EU president), Spain and the Netherlands. The surfeit of Europeans is even clearer at G8 meetings, when six Europeans (including the EU presidency and the commission president) sit beside the US, Canada, Japan and Russia. One reason the “quartet,” which is supposed to manage the middle east peace process, is not more effective, is that it is in fact a sextet. Alongside the UN, the US and Russia, the EU often has three people: Solana, the commissioner for external relations and the rotating presidency. Other countries think it daft that the EU cannot streamline its external representation.

And yet when it comes to some of the most pressing international problems, the EU is either largely invisible or absent. In Afghanistan, the various EU bodies—the commission, Solana’s special representative, the humanitarian relief office and the police mission—work independently of each other. EU governments are also involved but seldom co-ordinate their efforts. In Pakistan, the EU does little. It gives more aid to Nicaragua than to Pakistan per capita and the commission has a bigger office in Montevideo than in Islamabad. As for the six-party talks that attempt to deal with the North Korea problem, the EU is not involved.

The Chinese are skilled at profiting from divisions among the Europeans. In 2007 Angela Merkel’s meeting with the Dalai Lama provoked Beijing to take measures against German companies. But there was no solidarity from Britain or France, which saw the opportunity to win contracts and closer relations with the Chinese government. A year later Sarkozy upset the Chinese for the same reason and found little support from other European capitals. If the Europeans could agree on a common set of principles for dealing with the Tibetan leader and stick to those principles, they would be in a much stronger position vis-à-vis Beijing.

The EU’s defence policy has failed to fulfil its potential. One reason for creating the ESDP was to ensure that there could be no repeat of the wars in the Balkans. Another was to encourage Europeans to take defence more seriously. If the EU rather than just Nato played a role, it was thought, the Europeans might spend more on defence. But defence budgets have shrunk across the continent. Only a few countries—Britain, France, Poland, Greece and Bulgaria—spend more than 2 per cent of GDP on defence. The ESDP has failed to persuade European governments to boost significantly their military capabilities, R&D or joint procurement. Last year the EU needed Russian helicopters to deploy peacekeepers to Chad, since its own governments had none available.

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Spain and (usually) France prefer to talk softly and avoid criticism. Others, including Britain, are in the middle.

Most EU countries have similar interests in Russia—they want it to be well-governed and prosperous, at peace with its neighbours and more liberal. So why do the 27 find it so hard to agree—unless Russia does something really egregious like invade Georgia? History, geography and economics play their part. Countries that have been occupied by Soviet troops naturally have a different perspective from, say, Spain, that only joined Nato at the end of the cold war. In northern and eastern Europe, NGOs and politicians are used to speaking out against authoritarian regimes. But in southern Europe, governments traditionally say little about human rights. Meanwhile, German industry lobbies its government to maintain good relations with Russia. Of the €105bn of goods that the EU exported to Russia last year, €32bn were German.

The supply of gas exposes the divisions especially starkly. Twelve member states get more than half their gas from Gazprom, while many others get none. Russia has persuaded countries such as Hungary, Bulgaria, Italy and Greece to sign up to its South Stream pipeline project. This would take Russian gas into southeast Europe and stymie the EU’s rival Nabucco pipeline, which would bring gas from the Caspian region and thus lower European dependency on Russian gas. Big energy companies in France, Germany, Italy and the Netherlands have cut various deals with Gazprom.

The EU still lacks a single market in energy. Indeed Germany and Italy, both countries that are traditionally pro-European integration, have been among the most hostile to common EU policies on energy. German diplomats are explicit about not wanting EU institutions to play a significant role in energy relations with Russia, lest they act against the interests of German energy companies. Commission plans to open up energy markets have been blocked by the Germans and other countries such as France and Spain. This makes it hard for outsiders to enter protected markets and discourages the cross-border trading of energy. Until such

## RUSSIA DIVIDES AND RULES

Nowhere is the EU’s failure to run a coherent foreign policy more evident than in relations with Moscow. Russia supplies 30 per cent of the EU’s gas and is the EU’s third biggest trade partner after the US and China. It competes for influence with the EU in their common neighbourhood and scares those member states that recently escaped its rule. So there is a strong case for the Europeans to concert their efforts when they deal with their large neighbour.

Russia’s leaders respect power but exploit weakness and division. The EU’s member states are divided into three camps on Russia. The Baltic states, Poland, Sweden and (usually) the Czech republic favour a tough approach and worry about human rights in Russia. A larger group, including Germany, Italy,

time as the commission succeeds in creating a truly single market, some of the key member states will believe that they and their partners have differing interests in energy. And that makes it hard for the EU to speak with one voice on Russia.

### ENLARGEMENT IS TO BLAME

For the past 50 years the EU's story has been one of increasing integration. So why has the EU been less successful in foreign and defence policy? And why has disunity become particularly evident in the past few years? Part of the answer to the first question is obvious: in many EU countries, foreign and defence policy is more sensitive than business regulation or monetary policy—it touches a national nerve. Thus on economic issues, political elites have agreed to qualified majority voting, and to powerful roles for institutions such as the commission and the European Central Bank. They show no signs of wanting to take similar steps when security is at stake.

Part of the answer to the second question—why now?—is that successive waves of enlargement, especially that of 2004–07, have transformed the EU. Enlargement is probably the EU's greatest achievement, helping to spread democracy, prosperity and security across much of the continent. But the recent arrival of a dozen new members has inevitably led to a less cohesive, more variegated EU, in which the member states have a wide range of priorities and views of the world.

It would be wrong to say that the arrival of the central Europeans alone has prevented the EU from forging common foreign policies—the older states have found plenty to scrap over (Iraq, for instance). Nevertheless it is clear that lining up 27 governments behind a particular foreign policy is harder

than lining up 15. Now that there are 27 foreign ministers around the table, they seldom have substantive discussions. The presidency has to play a more important role in brokering compromises through informal conversations.

Furthermore, some new members have not yet learned to compromise. Lithuania sometimes holds out on its own in blocking an EU (or Nato) policy on Russia. But according to Brussels officials, Cyprus has had the most negative impact on EU foreign policy of all the new members. It has created many obstacles to good relations between the EU and Turkey. It tends to view foreign policy through the perspective of its own existential priority, which is to stop Northern Cyprus seceding: hence its support for China over Tibet and Taiwan. And of all the members, Cyprus is the most reluctant to criticise Russia, with which it has close financial ties.

The EU is now fundamentally divided on whether enlargement should continue. In theory all 27 states accept that the western Balkans should ultimately join the EU. In practice several of them are behaving in ways that will keep that prospect in the far distance—and that damages EU influence in the region. And there is no consensus on whether countries such as Turkey and Ukraine should one day join the EU. This makes it harder for the EU to agree on an effective “neighbourhood policy” for eastern Europe; if the EU cannot tell Ukraine, Belarus and Moldova that they might one day join, its sway over them is limited. This rift on enlargement spills over into policy towards Russia, which does not want to see former Soviet states slipping into the EU's orbit: some of the countries most reluctant to upset Russia, such as Germany, are also hostile to the idea of Ukraine in the EU. ▶

## EU voters and the crisis of social democracy

Although June's European elections were fought largely along national lines in most EU countries, the results reveal pan-European trends. The most significant of these is that European social democracy is in crisis. The centre-left slumped to 161 of the 736 seats in the parliament, against 263 for the centre-right. Centre-left parties fared poorly whether in office or opposition—and especially badly in Britain (16 per cent of the vote), France (17 per cent) and Germany (21 per cent). What's gone wrong for social democracy?

Of course, there are special circumstances in each country, like the expenses scandal in Britain and squabbling leaders in France. But all social democrats have a problem making their economic policies credible. They have accepted market capitalism but failed to differentiate them-

selves from the centre-right. They are losing the support of working-class voters, some of whom have been wooed away by the far left or far right.

Meanwhile centre-right leaders have adopted the language and policies that one might expect from social democrats: Angela Merkel, Nicolas Sarkozy and Silvio Berlusconi demand stricter regulation and attack financial capitalism. Centre-left parties have also lost votes through appearing to be more pro-immigration than the centre-right—for example in Italy, Britain, France and Germany.

But the results show that the global economic crisis is not—so far—leading to a repeat of the politics of the 1930s. The overwhelming majority of Europeans

support moderate parties: the far-right and far-left combined will have only about 12 per cent of parliamentary seats. The far-right progressed in Britain, Hungary and Austria, but retreated in France and Belgium; it will struggle to find the 25 seats required to form a parliamentary group. Right-wing populists who cannot be called neo-fascist—such as Geert Wilders' party in the Netherlands, the Northern League in Italy and UKIP in Britain—did better.

The results in Britain have shocked leaders elsewhere in the EU. Because the Labour governments of the past 12 years been quite pro-EU, many Europeans had failed to see that Britain has become an even more Eurosceptic country. Parties that want to leave the EU or reduce its powers won 52 per cent of the British vote. If the Conservatives take office and quickly get into fights with their EU partners—both of which things are likely—they will say that they have the British people behind them.



Another cause of the EU's failure is its lack of a common strategic culture: some countries take defence seriously and believe in intervening to solve security problems, and some do not. This rift has long been evident. Indeed, one rationale for the ESDP was to prod other member states to adopt the British and French approach to security. But such a culture never developed. Most member states provide peacekeepers for ESDP missions, but few permit them to do real fighting. Thus when a largely German ESDP force went to Kinshasa in 2006, it refused to intervene between warring militias. In Afghanistan, less than half the member states—Britain, France, Holland, Denmark, the Czech Republic, Poland, Romania and the Baltic states—allow their forces to go to places where they might get hurt. Other governments give the impression they would be happy if the EU were a big Switzerland—prosperous and safe, but reluctant to worry about problems in other parts of the world.

Many senior German politicians have Swiss tendencies. Indeed, the evolution of Germany in recent years has itself contributed to the EU's problems. Traditionally, Germany has been an integrationist country that assumed that what was good for Europe was good for Germany, and vice versa. Most Germans believe that Germany is "a good European"—and in some ways it is, for example through its hefty contribution to the EU budget. But in practice Germany is starting to behave more like Britain or France: that is, on some issues Germany now sees its national interests as different to those of the EU as a whole. Within the past year this has been evident on climate change policy, where Germany has watered down proposals that could have damaged its industry; on Iran, where Germany has been reluctant to accept stronger sanctions that could hurt its exporters; on energy, where it has fought commission plans for a more integrated market; and on Russia, where it has opposed any proposal that the EU should treat Moscow with firmness.

However, if, as seems likely, a Conservative government takes power in London next year, Britain will again become the biggest obstacle to coherent external policies. Conservative leaders see the point of the single market and EU cooperation in areas like climate change and energy. But they

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are hostile to EU involvement in foreign and defence policy. In recent years under Labour, Britain has contributed few troops to ESDP missions; a Tory government could pull out of European defence altogether. And the Tories are strongly opposed to the Lisbon treaty and promise to call a referendum on it (in the expectation of it being rejected) if the treaty is not already law when they come to power. That treaty's most significant reforms would streamline the EU's ramshackle foreign policy institutions. Improved institutions will not automatically lead to united EU foreign policies. But now that there are 27 member states involved in decision-making, rules and procedures have become more important. The most damaging aspects of the current set-up are the rotating presidency (the EU has suffered from the chaotic Czech presidency in the first half of this year) and the rivalry between two separate foreign policy bureaucracies (Javier Solana's team in the council of ministers, and Benita Ferrero-Waldner's in the commission). The Lisbon treaty would unite the rival bureaucracies and bring seconded national diplomats into an "external action service" under the aegis of a new high representative (fusing the Solana and Ferrero-Waldner jobs). He or she plus the new service would take on the foreign policy tasks of the rotating presidency.

**MUST DO BETTER**

Given the nature of the difficulties described here, there is not much chance of the EU improving its performance rapidly. But over time it should be capable of learning to speak with one voice on more issues than it does today. Here are some suggestions on how it might achieve that goal:

- Implement the foreign policy provisions of the Lisbon treaty, and replace the rotating presidency with a single, permanent institution to speak for the EU.
- Stop trying to build EU defence with 27 countries. When it comes to missions that require the use of force, those countries with robust strategic cultures should form their own organisation. Such a defence club would, like the euro, impose stringent criteria on would-be members, and could bring credit to the EU as a whole.
- Use small groups of member states to help make EU foreign policy. A policy cannot be "EU" unless backed by all 27. But 27 cooks in the kitchen are too many. On particular issues, the EU should delegate the task of drawing up policy to smaller groups of the most interested countries. It has done this already for Iran and for Ukraine (where Poland and Lithuania led). Of course, few countries would want to delegate the task of policy-making on Russia or China. But even in these cases informal co-operation among the larger countries may be a necessary condition for substantive policies.
- Keep an open door, rather than allow the enlargement



process to stall. But the EU has to recognise that enlargement is going to move slowly for some years. It therefore needs to devise a stronger neighbourhood policy that offers the countries around the EU closer political contacts, more liberal visa regimes, and greater opportunities to participate in EU policies. The recently launched “eastern partnership” is a step in the right direction but too timid.

- Make a common energy policy a priority. This is crucial for the EU’s single market, its ambitions in climate change and its foreign policy, especially towards Russia. If the EU can follow the commission’s lead in building a truly single market in energy, a pipeline network that provides more diverse supplies of gas, an emissions trading scheme that encourages much greater energy efficiency, and infrastructure that allows for greater use of renewable sources of energy and for the capture and storage of carbon emissions, its foreign policy stands a greater chance of being independent and united.

- Remember that leaders should lead. The EU would have achieved nothing without the vision of men and women who looked beyond the immediate interests of their countries and institutions. Few of today’s leaders are prepared to spend political capital persuading voters that the EU is part of the solution to many problems. But without that kind of leadership, Europe will stay where it is—wobbly and splintering.

So what should European leaders say? The argument used by an earlier generation, that the EU has banished warfare from the continent, no longer resonates with many Europeans. A new narrative is needed. Talking about multilateralism

is hardly a vote-winner. Leaders may have to focus on how the EU can help to tackle issues like climate change, energy security, the need to regulate financial markets, the middle east peace process, the resurgence of Russia, illegal migration and terrorism. Hardly stirring stuff, but member states on their own cannot do a great deal to solve such problems.

Leaders should also talk about the values the EU stands for. One reason the EU may want to intervene abroad is to support the principles that most Europeans believe in. Europeans want the global order to be based on their liberal internationalist values. And values also matter for the debate on enlargement: Europeans will welcome a neighbouring country into the EU if its people seem to share their values.

Even before the economic crisis struck, the EU was struggling to build effective foreign and defence policies, and the recession will probably make the task even more difficult. Hostility to imports, foreign investment and immigration is on the rise. The crisis has certainly increased opposition to further EU enlargement. And the more that populist and nationalist politicians profit from adversity, the harder it may be to achieve compromises at EU level.

Yet the Europeans should not leave others to design the new world order. On their own, Britain, France and Germany are too small to shape it one way or the other. If Europe wants to be present at the creation, it needs to be stronger. ■

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