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Transcript

The EU in the World: Foreign Policy After Economic Crisis

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John Peet:

I'm John Peet, I'm Europe editor of *The Economist* and it's a great honour for me to be chairing this discussion about European foreign policy after the economic crisis. It has struck me often that there are experts on the euro crisis, I sometimes think I'm one, and there are experts on EU foreign policy and they often don't meet each other, and one of the things I liked about Richard Youngs' book was that it drew some of the connections between the euro crisis and foreign policy which I think are very important, so I would recommend it on those grounds alone, but enough of me.

We've got three very distinguished speakers. Richard is going to kick-off, and Richard is at Carnegie Europe based in Brussels now although he was previously in Madrid and he is the author of this Carnegie book, a copy of which is over there. After him we will have Baroness Falkner, Kishwer Falkner of Margravine, who is a leading spokesperson for the Liberals on foreign affairs in the House of Lords. And then we will finish with Dominique Moïsi from IFRI (Institut français des relations internationales) in Paris, and each of the speakers is going to talk for about seven minutes perhaps. It's written eight but we'll try and do it as - but we're starting late. And we will then have a discussion. Despite the fact that we're sitting in Chatham House I'm told this event is on the record, which is fine if anybody wants to write about it, and if you're interested in Twitter you can comment via #CHEvents. And please put your phones off or on silent mode, and with that I'll hand over to Richard, comments on EU foreign policy.

Richard Youngs:

Thank you John, and to everyone for coming. The book essentially argues that the crisis is not just an internal and economic crisis but increasingly it's having an effect on European foreign policy as well. Some of those effects are clearly negative in nature, although there are some signs that there are at least some slightly more positive catalysing effects on European foreign policy. So in some ways I think the crisis is pushing European governments apart on foreign policy issues, although in some more subtle ways it's also pulling them together to work a little bit in a slightly more united way on some of the key international issues. So actually the read over from the internal economic crisis to the foreign policy sphere is actually slightly nuanced and complex in nature, and certainly if you look at the statistics then the picture is not very positive. The EU accounts for a lower shade of world trade, investment, currency holdings, defence expenditure, and development

assistance than it did before the crisis, so the crisis seems to have accelerated the EU's relative decline, but at the same time there are signs that the gravity of the crisis has convinced European governments that they do need a more outward looking foreign policy that is more united in nature to try and defend their international interests. So you see a kind of mix of logics as a result of the crisis. In some ways there is a logic of fragmentation and a renationalization of foreign policy, but in other respects there's a realization that the crisis requires European governments to work together more, and one can see that, even if in a subtle and often subterranean way, in at least some policy areas.

One thing the crisis has done is to make the EU more of a geo-economic actor, so the prioritization of commercial interests is something which has become very much more dominant. Nearly all member states have introduced strategies of commercial diplomacy so a lot of this geo-economic activity is being pursued on a bilateral basis, so it's not European, if anything European governments are competing more against themselves for commercial interests, but at the same time there have been some efforts to make EU trade policy a little bit more united and more assertive. So, many people predicted before the crisis that the EU would become a lot more protectionist as a result of the financial crisis; this has not happened, rather the effect of the crisis has been a bit more subtle in nature. So today I think the EU doesn't hold to a uniform economic liberalism at the multilateral level, but it tries to use its political power to shape the way that global markets work and to try and ensure that those markets work more to the tangible benefit of European economic interests, so that's one area that I think has changed.

The other area that has changed as a result of the crisis is the EU is giving a lot more attention to Asia. I don't think we can any more criticize the EU for underplaying the importance of Asia's rise, and the EU's attention to Asia now goes beyond such an overwhelming focus on China. It's also not quite as purely commercial as it was before the crisis, so one can see a slightly more mutual interdependence having emerged between Europe and Asia as a result of the crisis. It's clear that in Asia the EU is not going to be a major security player, but the book argues that the EU does need a slightly more strategic presence in Asia to work on shaping security cooperation in the region in a way that is necessary to underpin these greater commercial interests that the EU has in Asia.

So, to finish off I would basically summarize by saying that across these different areas of policy the result of the crisis is that you can see a slightly uneasy mix or hedging of different logics in EU foreign policy. On the one

hand European governments are prioritizing a national pursuit of short term material interests because of the seriousness of the crisis, but at the same time at the EU level you see slightly more effort to defend some of the core principles of the liberal world order that governments now recognize as being more important to defend their longer term interests. I think balancing these different strategic logics is very difficult, is very uneasy, but it's essentially what the EU is trying to do, and I think the question is whether it's doing that in a coherent enough way for this to be a long term policy of geo-strategy.

John Peet:

Fine, thank you very much. Kishwer Falkner.

Baroness Falkner:

To be squeezed between two academics is slightly daunting, so I'll give a rather more pedestrian take on it, but I think one of the things to do with the question we're asking ourselves today is that foreign policy probably is one of the hardest areas to achieve consensus and integration on, and clearly short of fiscal policy, I would say that economic policy is somewhat easier, fiscal policy is as difficult as foreign policy, but I think for Europe particularly an integrated foreign policy would always have been a challenge whether we had had an economic crisis or not, for the very fact of the different countries' historic traditions and interests. So a reconciliation of interests, strategic, military, trade, would always, I mean if you look at even now the negotiations on the Transatlantic Trade and Investment Partnership, the different positions that are emerging, or if you look at the solar panels dispute with China where Germany, where the Commission rightly was looking at it and Germany decided to frankly pull the rug out from under the Commission's powers in that regard. So my central proposition is that foreign policy integration would always have been difficult, but I do believe that it became more difficult as a consequence of the events of the last five years and I don't think it's going to actually become easier, and the reason I don't think it'll become easier is because we now have in many more respects a multi-speed Europe and that will make foreign policy integration even harder.

Some tangible examples; I was hoping Dr Youngs would speak a little bit about Ukraine, but we have seen the last week the events in the Ukraine and the very slightly nuanced disagreements but nevertheless disagreements between the European, you know the one thing that we needed was the EU to have unity on this and it has palpably failed to have unity, although there's

still some way to go and it might come. But if you look at 29 August last year and the Syria debacle you had, on the face of it, the British government and the French government on the same line but in exercise of their powers behaving very differently, and Germany some way behind. The Arab Spring overall, Europe has not been a player really in any sense at all. After the military coup in Egypt in the summer Catherine Ashton got there immediately, spoke to the deposed President Morsi, and then what? Nothing else happened.

So, there are successes. There's been Kosovo and Serbia and the agreement there and Iran, but my argument would be that those two things happened because of their own internal dynamics and not because of EU wisdom or leadership in any spectacular fashion. I think had the EU not been there perhaps they wouldn't have happened that way, but I was arguing five years ago that the only resolution to the Iran standoff with the US was for Iran and the US to have direct talks, and as it turns out in retrospect we discover that there were back-channel talks going on. Of course the fact that Rouhani was elected made a palpable difference. Likewise Kosovo and Serbia, the change of leadership in those countries, the obvious merits within the Balkans of people seeing that Croatia had successfully moved, Slovenia had marched ahead a long time earlier.

So I think the question then follows, what do we need to make EU foreign policy better? And of course there's several ideas here. You have on the one hand the Eiffel Group who is, in France, calling for absolute complete integration and a core group, in the belief that this integration, a core group with an elected leadership and the European Parliament members forming part of this core parliament. Centre for Reform has done some work on it, Charles Grant's body. You have Germans are thinking along those lines, so there are integrationists within the major players and the major players perhaps for the purposes of foreign policy, France, Britain, Germany, and Italy that has suddenly woken up and discovered its identity again a little bit, but among the major players there are factors that are pushing for very sharp, deep integration.

But you then have the rest of the Eurozone ins and all of the Eurozone outs with very different approaches, and one of the examples of the lack of success is the lack of defence, manufacturing integration, the lack of defence integration in any sense at all in terms of consolidation of the sector. Cast your mind back only to last year and the proposed merger between BAE Systems and EADS and again very clear German interest being asserted. I think most Germans would now agree wrongly, that they got that wrong, and

we will have to revisit it, but until you have the strategic consolidation through defence integration, until you have a clear, stronger voice, and I think the only way we could get this to work better would be to have greater integration of the External Action arm, Cathy Ashton's arm with the trade arm in possibly one supersized directorate, but it's going to be a long haul and I think we will see far greater economic integration before we see foreign policy integration.

John Peet:

Thank you very much. You might argue that the one man who might drive European integration forward in foreign policy is Vladimir Putin!

Baroness Falkner:

Doesn't seem to have done so in the last week.

John Peet:

Well we are waiting for tomorrow's meeting. Dominique.

Dominique Moisi:

You stole my first line! I was going to start by saying, will there be tomorrow statues of Putin in all European squares next to Jean Monnet and Robert Schuman, to the father of European unification. But the point I would like to make in very brief terms is the contradiction between the evolution of Europe after the economic crisis and the evolution of the world in the last few years. You remember that movie *Four Weddings and a Funeral*, I think just plagiarize that and speak of Europe as four divorces and hopefully no funeral. You have the divorce between society and the elite. You have the divorce between north and south; it's not east and west. You have the divorce of situation between France and Germany, and you have the growing divorce, who am I to speak, between the still United Kingdom and Europe, and faced with those four divorces you have four huge foreign policy challenges.

One is the fact that the United States is slowly moving away from its traditional world responsibilities. There is less America and there is much more Russia. Russia is moving much closer, and not in the positive sense of aligning with European values but just the reverse, returning to be in fact a problem if not directly a threat. Then you have the risk of fragmentation of the Middle East right in front of us and the risk of tension leading to war in Asia,

where in fact some Asians are already thinking in 1914 terms; is war in front of us. And there is a complete mismatched divorce between the reality of Europe's evolution, delegitimization in a way, and the need for Europe given that situation. But of course we don't see the world alike. All Europeans would accept to see Europe as a model, when you see people on Maidan Square saying we want to leave as European, but what would follow naturally is that Europe would be an actor and Europe is not an actor, it's just a model and you can't remain a model if you are not an actor. And that goes back to the second contradiction between soft power and hard power. We have globally concentrated on soft power for deep philosophical, historical, whatever reasons. Now we need some hard power and we don't have it.

So, the question is; what will the Ukraine crisis be? Will it be a revelator and accelerator of Europe decline, of Europe in a way inadequacy with the challenge, or can it be a wake-up call, and it depends in part from Putin, it depends a lot from us. Here again I think Baroness said it very well, we don't see the world alike. I remember being with Laurent Fabius in December, he gave a marvellous presentation of the challenges for Europe in 2014, the word Ukraine was never mentioned. He spoke of Africa, of the Middle East, and at some point the Prime Minister of Sweden Carl Bildt said, great presentation. I would have added one word, Ukraine, and it's not there. The reverse with the Germans in a way, you speak with Gerhard Schröder, he will speak openly of everything except one thing, which is Russia, and the silence about Russia will contrast so much with the rest, so we need Europe, but will we have it? We will see.

John Peet:

Great, thank you very much. Thank you very much for being brief because it gives us plenty of time. I'm going to go back to Richard now, partly to ask him does he want to comment on anything that the other two said, but also to throw in one question of my own arising out of that. You talk a bit about the EEAS and Cathy Ashton in the book but you didn't mention them in your brief presentation just now, and of course I think what [Baroness] Kishwer was saying was that foreign policy is almost impossible, it's almost like fiscal policy, but do you think that the task that they have tried to take on over the last five years has been made much harder because of the euro crisis?

Richard Youngs:

I think essentially the problem is or the challenge is that the EU has been faced simultaneously, I think this goes back to what Dominique was saying, with the internal economic crisis and the reshaping of global power. So it's been squeezed between these two trends that's made the job of developing an effective foreign policy much more difficult, but the case the book makes is that it's also in a way, to some extent it's galvanized the EU into action without at all overemphasizing the positive side of the equation. But my feeling is that EU foreign policy was going through a particularly lacklustre period before the crisis started and that was the roots of a lot of the problems that we're facing now. So again, without overselling the successes, and they're there but at a low level, and that does actually relate to the Ukrainian crisis where for example the Eastern Partnership has moved up a few gears and it's been given a slightly more EU dimension to it, I think as a result of these twin crises.

I think the one point I would make in response also is that we talk a lot about the institutional structures and the European External Action Service. We've spent a lot of time talking about institutional processes and the reforms of the Lisbon Treaty over the last few years. All those institution modifications are important, but what the book tries to bring out is that it's also important to look at more the substantive way in which the EU tries to engage with the changing global order, and that's an additional challenge that the EU is grappling with and it's made some progress into basically reshaping the way it acts internationally, but it still has a long way to go, and again that's pertinent to what we're seeing in Ukraine at the moment. To some extent the EU had at least a fairly united policy on some elements of policy towards Ukraine, and under the rubric of the Eastern Partnership the EU was actually funding a lot in Ukraine, had offered an association agreement, but of course we haven't been able to influence events to the requisite degree. I think that behoves the EU to rethink the way that it exerts influence and perhaps not rely quite as much in the future on this assumption that the EU can best influence events by simply replicating itself in other parts of the world and exporting its own rules and regulations. So I think one result of the crisis is that that type of approach is likely to be much more difficult in the long term.