Why Europe Will Not Run the 21st Century

Why Europe Will Not Run the 21st Century: Reflections on the Need for a New European Federation

By

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For my family

Uniting Europe to unite the world.
—Mario Albertini, 1980

In the same way as a Neapolitan of the ancient kingdom or a Piedmontese from the subalpine kingdom became Italians while not denying their previous status, but raising it and merging it into that new being, and so the French and Germans and Italians and all the others will rise as Europeans and their thoughts will be directed towards Europe and their hearts will beat for her as they before did for their smaller homelands.
—Benedetto Croce, 1931 [Translated by Valerio Volpi]

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INTRODUCTION

This book springs up from reflections originated in the reading of a text, written by one of the most popular political thinkers of this time, Mark Leonard, which enjoyed great success a few years back. In his *Why Europe Will Run the 21st century*, Leonard argues that some of those elements characterising the European Union (EU), and especially its institutional framework, which many deem as factors of weakness are in fact the EU's strength points. That is because the way the EU's institutional framework has been devised requires Europe to counter the United States' *hard power* through its far more effective *soft power*. According to Leonard, this *soft power*, by manifesting itself in the form of "transformative power", allows Europe to reshape the planet in the long-term. From pressures on Russia to adopt the Kyoto Protocol, to those directed at George W. Bush so as to get the United Nations involved in the administration of Iraq, and especially those targeting those countries each time applying to join the EU. From Poland to Croatia, from Serbia to Turkey, the EU has been prompting these countries to carry out vast overhauls in their laws in order to make them as compliant as possible with the massive body of EU law. In Leonard's opinion, the key element for the expansion of European influence is the absence of a visible central government. The network of institutions which make up for such absence and act discreetly allows the EU to act without drawing hostility, especially of the terrorist kind, as has instead been the case for the United States.[1]

The same optimism, then, pervades *The European Dream*, by Jeremy Rifkin, published in 2004. In a nutshell, according to Rifkin, Europe will be the new great political actor of the century, and will replace the United States, thanks to the fact that it is no longer divided into rival states and already enjoys the first transnational government in history.[2]

The excessive naiveté and unrestrainable optimism of such analyses have more than once forced a smile upon my countenance. The EU, it is true, has a solid legal framework, a developed body of law involving many aspects of European life, and is undoubtedly the largest market on the planet. However, many have pointed out the serious imbalance, within European constitutionalism, between the strength of the legal rules and the weakness of the *polis*.[3] Although legal provisions are strong, the EU is weak. It is weak because when it comes to solving problems and crises striking from within (as in the case of the Greek crisis) or engaging it from without, national interests forcefully spring up. The inability to speak with one voice undermines the EU's authority towards other countries, primarily the United States, as well as its own nationals. In short, when Europe is united and speaks with one voice, it can easily stand up to anyone, including the United States. We shall see this in a moment with a few examples

Perhaps the war in Iraq would not have taken place if a single European government had strongly expressed its opposition to the conflict, in compliance with the wishes of the vast majority of its citizens, who were mostly opposed to it, even in the presence of authorisation by the UN Security Council. On the contrary, Europe was split. "Old Europe", in Donald Rumsfeld's contemptuous expression, represented by France and Germany (and I would say the vast majority of European citizens, from Spain to Poland, Sweden to Greece)[4] as opposed to "new Europe", the "coalition of the willing" composed by states who chose to act on their own in pursuit of their own parochial interests, in the hope of getting some lunch leftovers for their firms. A bone dropped by the master to be snatched away from the others, and so much for a united Europe.

Similarly, a truly united Europe might have helped achieve an agreement during the disastrous December 2009 climate summit in Copenhagen, which proved impossible due to EU member states' profound divisions on measures to be taken and how to deal with the costs.[5]

It is definitely true that the EU's role was crucial in the stabilisation of the central-eastern part of the continent after the fall of the Iron Curtain. The prospect of joining the continent's wealthy states' club and enjoying the benefits arising from membership of the largest trade market on the planet has been the driving force of the great efforts made by the countries of this area, characterised by huge economic as well as democratic lags in comparison with EU member states. The EU, therefore, has acted as a stimulus for change. It has also served as a neutralising force against authoritarian tendencies and possible risks of nationalist resurgence, both as regards state relations as well as those between majority and minority ethnic communities within the same country. For example, there were tensions between Hungary and Slovakia after 1989, concerning political rights of ethnic minorities in both countries, which led Hungary to veto Slovakia's admission into the Conference for Security and Cooperation in Europe (CSCE) in 1992, and abstain on that to the Council of Europe in 1993. The EU launched its first Joint Action in the field of Common Foreign and Security Policy (CFSP), the so-called "Balladur Plan", drafted by the French government, and based on the idea of preventive democracy. This plan, with the addition of Recommendation No. 1201 on the Rights of Minorities of the Parliamentary Assembly of the Council of Europe, resulted in the signing of the "Treaty of the Republic of Hungary and the Slovak Republic on Good Neighbourliness and Friendly Cooperation", which certainly helped to reduce tensions between the two countries. With regard, then, to the protection of minorities, the EU worked in the preliminary stages of accession with those Central and Eastern European countries characterised by the presence of many Roma communities, to promote and finance projects aimed at fighting discrimination and promoting these minorities' culture. In the Baltic countries, these projects regarded the Russian-speaking minorities. Similarly, the EU's role was predominant at the time of the Meciar government in Slovakia, between 1994 and 1998. In those years, Slovakia was isolated from the rest of Europe, as it preferred to maintain closer relations with Russia, so much so as to be removed from the list of first-round candidates for NATO membership in 1997. Slovakia's isolationist policy and repeated criticism from EU representatives, in respect not only of Slovakian European policy, but also of the Slovak government's attitude towards its own Parliament, gave an important contribution to Meciar's electoral defeat, and the resulting rapprochement to the EU.[6] Some might call it unjust interference, which nevertheless testifies to the influence Europe can have on the electorate of a potential candidate country.

However, it is also true that so-called "Copenhagen criteria", according to which

> [m]embership requires that candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights, respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership presupposes the candidate's ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union,[7]

have been the subject of disputes, different interpretations, and struggles among political factions, and, above all, member states. Turkey certainly represents the most emblematic case in point. According to a think tank, European Policy Centre, when ten new countries were admitted in 2004, followed by Romania and Bulgaria in 2007, Turkey had all the requirements for admission into the EU.[8] This, it should be said, despite the still ambiguous role of the military in political life, and the fact that Turkey has to date refused to recognise the Republic of Cyprus and open its ports to Cypriot ships and planes, and will refuse to do so until the EU lifts its sanctions against the Turkish-Cypriot Republic.[9] However, ever since the

Helsinki European Council decision in December 1999 to consider Turkey as a candidate for admission, and although negotiations were undertaken in October 2005, things have so far not proceeded beyond the Accession Partnership set up in 2001 and renewed and amended three times (2003, 2006 and 2008).[10] Divisions over Turkey are profound, when it comes to both European citizens as well as governments. Obviously, much has to do with the fact that its population of about 70 million is mostly Muslim. According to a recent survey conducted by Bogazici University in Istanbul, the University of Granada and the University of Madrid between August and September 2009 in five EU member states (France, Germany, Poland, Spain and the United Kingdom), 47 per cent of the people supported Turkey's accession to the EU, and 47 per cent opposed it. However, only 41 per cent of those surveyed declared they would vote in favour of Turkey's accession in a referendum, whereas 52 per cent would vote against it. In particular, 62 per cent of German and 64 per cent of French citizens would say no. In the United Kingdom, only 46 per cent of Brits would be opposed, while 54 per cent of Poles and 53 per cent of Spaniards would vote in favour.[11] At the government level, basically, Turkey's accession would be more pleasing to the more Eurosceptic states, with the United Kingdom as the main sponsor. These states always welcome the admission of other countries, which expands the area of the common market and weakens potential federalist drifts. A staunch opponent of Turkey's accession is instead French President Nicolas Sarkozy, in whose opinion

> enlarging Europe with no limit risks destroying European political union, and that I do not accept...I want to say that Europe must give itself borders, that not all countries have a vocation to become members of Europe, beginning with Turkey which has no place inside the European Union.[12]

Turkey's admission into the EU would require the twenty-seven member states' unanimous consent, which makes it very unlikely, regardless of Turkey's actual compliance with the "Copenhagen criteria". It is not strange, therefore, that the Copenhagen criteria have not been included in the new Lisbon treaty, except for a quick citation in Article 49 of the Treaty on the European Union (TEU). Hence, there is no legal provision conferring jurisdiction upon the European Court of Justice (ECJ) on the matter, thus preventing the ECJ from assessing a candidate country's actual compliance with the criteria and interfering with member states governments' decisions. Therefore, instead of a technical evaluation by the ECJ, which takes its decisions by majority vote and does not disclose how each judge has voted or any dissenting opinions, so that judges are "insulated from national pressures",[13] decisions will continue to be purely political.

With regard to the confusion and disorder thriving at the EU level, equally interesting is the stand taken against Austria, during what has been termed as the "Austrian Crisis of 2000". This showed the inherent weakness of the European "community of values" principle, and how EU membership does not influence member states' democracies the same way. Indeed, when Jörg Haider's neo-fascist Freiheit Ostereiches Partei (FPÖ) became part of the government coalition, the then fourteen EU member states intervened with sanctions against Austria, on the basis of the *droit de regard* principle, codified in the Treaty of Amsterdam. According to this, EU membership entailed mutual supervision on compliance with democratic values. However, these sanctions had conflicting effects, which superbly symbolised Europe's inherent divisions: many believed sanctions to be counterproductive, as they would arouse nationalist sentiments, while others deemed them as an insult and undue interference in a democratic state's internal life. Conservative parties in Italy and southern Germany expressed solidarity with the FPÖ. After seven months, sanctions were abandoned on the recommendation of a "group of wise men". The whole story obviously contributed to spreading an image of confusion and chaos.[14] Personally, I believed at the time that the Haider phenomenon would quickly get back into proportion (which is what actually happened). Not because of EU sanctions, which I considered counterproductive, but for the simple reason that these far-right parties generally tend to lose consent once associated with governing coalitions. That is indeed when the emptiness of their electoral proposals is put to the test (with the partial exception of the Northern League, which is different, because, though xenophobic and racist, it is also a territorial party, profoundly rooted in the north-eastern part of Italy, and administers a large number of cities and towns). If respect for democratic principles is the issue at stake, Italy would deserve, and would have deserved at the time, much more severe sanctions, given the concentration of economic and media power in the hands of a single man, though democratically elected (but so was Haider, after all).

Back to Leonard, another element of his analysis that puzzles me is the equation lack of a central government/presence of a network of institutions acting discreetly/absence of external hostility, especially of terrorist nature, as is instead the case for the United States.

As for terrorist attacks, it may be true that US embassies, companies and military bases are a more attractive target to terrorism. However, attacks against European troops are common, in Iraq as in Afghanistan. Islamic terrorism has struck Europe, or tried to do so on its territory: just to name three examples, the bloody attack in Spain on March 11, 2004;[15] the one striking the London underground in July 2005;[16] and the failed attempt to detonate bombs on two German trains in September 2007.[17] Europe is not safer than the United States because there are no EU embassies, or a single EU army bombing Afghan villages.

In addition to being divided, undoubtedly Europe's problem is that it is also too American-centric. The idea that Europe's *soft power* is undermining America's *hard power* through the "preventive engagement" doctrine (which preaches that interventions in other countries should be not only of military nature, but especially economic and legal, in order to create the conditions for political and institutional stability and is radically opposed to America's "preventive war" doctrine,[18] promoted by Bush and certainly not ruled out by Obama) is mere fantasy. Europe, as it is, that is, divided, is functional to the United States' hegemonic design. There is widespread agreement on this, whether it is the point of view of radicals such as Tariq Ali, who claims that "[t]he EU is nothing more than a tiny satellite revolving round the American sun. Nothing more",[19] or moderate seasoned politicians such as Valery Giscard d'Estaing and Helmut Schmidt.[20]

Now, it is not possible to rule out *a priori* that a united Europe would decide to follow the American ally in its military adventures. After all, it is not clear what kind of relations Europeans attach more sympathy and importance to: whether it is those with the Americans, or with other Europeans,[21] especially when it comes to the United Kingdom and the member states of Eastern Europe. However, through its political and economic weight, and the likely support of China and Russia, a united Europe might be able to dissuade the American ally from engaging in adventures such as the Iraqi one. A divided Europe suits America just fine: on the one hand, because it avoids the presence of a dangerous competitor, and, secondly, because if a specific military project is opposed by France and Germany, it is likely that this project will be enthusiastically accepted by Great Britain and the eastern states. A divided Europe is therefore convenient to America, but not to Europeans and their security. That is why Americans are staunch supporters of an enlarged Europe, including Turkey and even countries like Georgia and Azerbaijan. After all, a body that keeps on growing becomes increasingly difficult to govern, if it has no head or its head is too small.[22] The greater the number of member states, the more the EU will become a motley of completely different cultures, which will foment division and make it difficult (I would say, rather impossible) to create a strong institutional structure to serve as a counterweight to US hegemony. At that point, Europe would simply gravitate in the American orbit in a subservient position,[23] without the slightest ability to work out controversies politically, rather than through the instrument of war. This would be the case even when it comes to dealing with our immediate sphere of (at least economic) influence, so to speak, namely the Balkans, Eastern Europe, Mediterranean and sub-Saharan Africa,[24] that is, those areas benefiting from the so-called "European Neighbourhood Policy" under Article 8 TEU, which provides that

> [T]he Union shall develop a special relationship with neighbouring countries, aiming to establish an area of prosperity and good neighbourliness, founded on the values of the Union and characterised by close and peaceful relations based on cooperation.[25]

A divided Europe, with states acting in dribs and drabs, makes it attractive for a single state to participate in US military adventures in order to obtain economic benefits in terms of procurement and contracts. In addition, such participation will give the master proof of reliability and loyalty, so that the next time the good master will remember who has been loyal and will assign more important tasks. It has been the case of Italy, Spain, and above all Poland in the course of events in Iraq. In particular, assigning a disproportionate task to Poland (if weighed against Poland's real role in the matter) perfectly expresses America's "divide and rule" philosophy. This, among other things, casts ominous shadows on the future of Europe, as it shows that some countries with which we should build a common house apparently put Washington before Brussels for reasons of convenience.[26] As Latin America's division into many (large and small) countries has been very often used by the United States to assert its own interests, the same may be said of Europe, especially now that the Iron Curtain has fallen, and NATO has expanded eastward, incorporating former Warsaw Pact countries.

That the division of Europe is functional to US hegemony is also evident in the EU's attitude within large international organisations like the World Bank (WB) or the International Monetary Fund (IMF). First of all, these organisations continue to be state-centric, and therefore the EU, which is not a state, is represented mainly by its member states, with the participation of the Commission or any representatives of the EU according to the policies involved, as we shall see shortly. Member states diplomatic delegations are therefore the main actors involved. These must reach an agreement among themselves with regard to the policies under discussion, which is not necessarily the case. This is a shame, because a truly united Europe would have twice as many votes as the United States.[27] Therefore, Europe could really expand its *soft power*, thus earning huge economic benefits, as China is doing, especially in Africa but also in Latin America and even in Europe in the aftermath of the financial crisis. China is massively going to the rescue of states in dire financial straits, such as Spain, as we will see in Chapter 3.

Now, since its inception, the EU has always advocated policies towards Africa (many African countries were still European colonies at the time), and has deemed to have a "special relationship" with the African continent. Indeed, for many years development cooperation with the ACP (Africa, Caribbean and Pacific) through the European Development Fund (EDF) was the only expression of the European institutions' foreign policy.[28] Such cooperation resulted in the Yaoundé, Arusha, and Lomé Conventions, and in the Cotonou Agreement, whose goal was the creation of a segmented free trade system.

The Lomé Convention governed trade relations between EU and ACP countries from 1975. It was based on the principle of "non-reciprocal trade preferences", which allowed the most disadvantaged countries to maintain their protectionist barriers and simultaneously gain access to the European market free of customs duties. Thus Europe, by offering a system of asymmetrical relations, tried to make amends for the damage inflicted by colonialism. The World Trade Organization (WTO), following a complaint by the United States, at the time presided by William J. Clinton, denounced the agreement for breach of free market principles. The Lomé Convention was replaced by the Cotonou Agreement in 2000, consisting of 100 articles regulating the new commercial relations between the ACP and Europe. The Agreement also established that a review should take place every five years. Negotiations, begun in 2002, were supposed to end in 2007. The ACP countries were divided into six macro-regions, and negotiations are conducted separately with each of them. The most controversial point is the opening of 80 per cent of ACP countries' market by 2020, with only 20 per cent reserved for the protection of "sensitive goods". The WTO has already allowed two extensions of deadlines in order to enable the parties to reach an agreement. However, it has imposed for the time being the signing of temporary agreements. Currently, the EU has concluded just one agreement with the Caribbean countries. Only Cameroon and Ghana consented to partial agreements in September 2009, whereas most countries remain opposed.

This case shows that the model developed by former Trade Commissioner Peter Mandelson, later replaced by Catherine Ashton, now High Representative (HR) for CFSP, and based on US diktats of which the WTO is an expression, does not pay, especially when using threatening tones. Mandelson has been accused of preparing a dossier revolving merely on the commercial aspect, as well as threatening to cut aid should the countries involved not sign the financial arrangements. Oxfam New Zealand has disclosed an email sent by Francesco Affinito, EU official in charge of the Pacific zone, to the Trade Ministers of the region in July 2007. This stated that development funds would be curtailed by 45 per cent in case of failure to reach a commercial agreement and by 26 per cent if such agreement had not liberalised services, in addition to goods.[29] The situation is still far from a solution. It should be noted, however, that the system has always been highly hypocritical, because Europe (as the United States) has been heavily subsidising its agricultural products since 1958, through the Common Agricultural Policy (CAP), thus preventing real free trade and damaging agricultural products of the countries Parties to the Conventions. We will see how it ends. Surely, some countries are not standing by, and have already offered commercial relations differing in nature from those proposed by Europe and, above all, massive investment.

It is not just a matter of submitting to the neoliberal policies imposed by the United States. The problem is that European states often tend to develop cooperation individually. External trade has always fallen within the exclusive competence of the Community. Before the Lisbon Treaty, this did not however rule out the possibility of mixed agreements covering policies of exclusive EU competence, such as tariffs or agriculture, as well as others shared between member states and the Community or belonging exclusively to member states, such as investment, all requiring ratification by member states Parliaments.[30] With regard to Foreign Direct Investment (FDI), before the Lisbon Treaty this was a shared competence with the result that

> both the EC and individual EU Member States have entered into International Investment Agreements (IIAs), although each has focused on different aspects of FDI rule-making. The European Commission, with the permission of the EU Member States, has negotiated in the areas of market access and pre-establishment liberalizations (i.e. provisions granting foreign investors the right to set up an investment on terms no less favourable than those applied to domestic investors or investors from third countries). Meanwhile, EU Member States have negotiated commitments on the treatment extended to foreign investors once established in a host state, for which the principal instrument is Bilateral Investment Treaties (BITs).[31]

EU member states, and especially former colonial powers, have been very active in promoting their interests through bilateral agreements, especially with former colonies. Ergo, what Leonard has called Europe’s soft power is actually a weak power, while the real soft power is exercised by China and, increasingly, Brazil and India. In particular, China's success results not only from its territorial size and the efficient management of the economy by a strong central government, which imparts a unitary progress to its policies, but also from this country's attitude, which is diametrically opposed to America's and Europe's. It is for this reason that China is expanding in Africa and beyond. As noted by Loretta Napoleoni in her *Maonomics*, only in Sudan, only in 2008, and only in the fourteen major energy sectors, China invested $8 billion, with Sudan selling two-thirds of its oil to Beijing.[32] China is rapidly displacing competition when it comes to investing in Africa. If in the mid-1980s 55 per cent of interchange occurred with Europe, in 2008 this share had fallen to 40 per cent. Of course, this does not mean that Europe has disappeared from the African continent. Germany has stepped up coordination among its approximately 700 enterprises in Africa, and initiated a complex cooperation plan, which enabled it to export goods for $28.6 billion in 2008, with a 20 per cent growth over 2007, and increase investment by 38 per cent, thus reaching €6.3 billion. France is still the third largest trading partner in Africa, the second largest exporter after China, and the fourth importer after the United States, China and Italy. Sarkozy has meanwhile announced the launch of a $120 million fund (which will reach $300 million when working at full capacity) in support of African agriculture. Britain has increased its contributions to Africa to 0.43 per cent of its GDP, while Europe's average is 0.3 per cent, and revised its aid mechanism, which will be granted on the grounds of "clear-cut goals and priorities, also in compliance with efficiency and transparency requirements". Spain excels Britain and is the sixth trading partner in Africa. It exported goods for €9.3 billion in 2009, i.e. 5.9 per cent of the total, and imported for €16.7 billion, 8 per cent of the total. In addition, Spain and the African Bank have entered into agreements with the African Guarantee Fund, whose capital is approximately $500 million for five years, in order to promote the continent's small and medium enterprises' access to credit. The EU has promoted two financial agreements with Rwanda, for an overall €51.85 million to finance road infrastructures and cross-border cooperation in the energy and waterworks sectors.[33] The European Development Fund has provided a budget of €22.682 billion for the 2008-2013 period.[34] Italy has recently signed the "Italy-Libya Treaty on Friendship, Partnership and Cooperation", committing Italy to carry out basic infrastructure projects for a total of $5 billion in 20 years, and having very strong implications in the field of illegal immigration, an issue that necessarily involves the whole EU, and Southern Mediterranean states in particular. Italy has however handled it on its own by signing an agreement whose compliance with the rules of international law is highly disputable. Italian patrol boats are now authorised to forcibly take aboard all the illegal immigrants arriving by sea when they are still in international waters (regardless, then, of whether they are entitled or not to apply for political asylum) and transfer them to Libyan patrol boats, which will carry the immigrants directly back into Libya. Moreover, Tripoli has never signed the 1951 UN Refugee Convention: there, migrants from the rest of Africa, most notably from the Horn of Africa, are imprisoned, often for years, and subjected to violence and tortures of all kinds. This is the situation, despite the fact that the EU is competent for asylum and immigration policies. The EU's inability to develop common policies for extremely important issues as these speaks volumes of the differences that persist between states, and shows how the EU's institutional structure is too unwieldy for a 27-member EU.

Having said all this, it is thus undeniable that Europe is quite present in Africa. However, a distinction should be drawn: it is the EU states which are present singularly, whereas the EU as a single entity is much, much less visible. Still, individual European states' investments are nothing if compared to Chinese ones, not only in terms of "quantity", but also of "quality".

According to Serge Michel, five elements lead Africa to prefer China to other countries: 1) China has no colonial past; 2) its approach is pan-African, whereas Europeans work mainly with their former colonies; 3) the only requirement for an agreement is the absence of relations between the African country and Taiwan. China is not interested in political parameters such as democracy and transparency; 4) China finances any type of infrastructure and builds it with its own workers; 5) China is the last centralised system in the world capable of offering a "comprehensive modernisation package".[35]

Europe is losing ground not only in Africa. The same holds true for Latin America. The interchange between China and Latin America was $10 billion in 2000 and $140 billion in 2009. China is expected to become the second country for trade and investment in Latin America, after the United States and before Europe, by 2020.[36]

Thus, the differences between China and Europe are crystal clear, and so are China's strengths and Europe's weaknesses. China's power derives from the presence of a strong central government, acting speedily and investing anywhere, despite the territorial size of the country and of its population. In exchange for natural resources, the Chinese build great public infrastructure, quickly and efficiently. Many complain that Chinese penetration is unscrupulous and takes no heed of democratic values and human rights. For example, Alberto Sciortino has reported the claim that the war in Darfur was instigated by the Khartoum government on behalf of China, who has numerous military and economic agreements with the Sudanese government, and therefore would be interested in prolonging a conflict, which has enabled it to replace the Western powers in the exploitation of Sudanese oil. There are also frequent denunciations of the presence of children of twelve or thirteen years of age, working barehanded, for seven days a week, in Katanga's mines, more than 75 per cent of which are Chinese-owned.[37]

However, it is clear that Europe cannot teach anybody how they should behave, not only because of its colonial past, but also because European countries have been involved in assassinations, coups, and trade relations with some of the ghastliest and most odious dictatorships on earth. China does not espouse our free elections democratic system, that is undoubtedly true. What I want to point out here, however, is that a strong and effective central government of a huge country can manage and expand the power of a nation in the world. This can be done, not by force of arms and armed aggression, but through the power of economic investment, development and multipolarity and the opposition to the policies of the IMF and other international financial organisations, hence of the United States.

Will things change with the Treaty of Lisbon? This Treaty has confirmed the exclusive competence of the EU when it comes to trade policy, and has put an end to mixed agreements. Therefore, no ratification on the part of member states Parliaments will be required any longer. The Treaty has also brought all services and trade related aspects of intellectual property into EU competence, thus clarifying the situation and preventing further squabbling. It has increased the role of the European Parliament (EP): Article 207.2 provides that

> [T]he European Parliament and the Council, acting by means of regulations in accordance with the ordinary legislative procedure, shall adopt the measures defining the framework for implementing the common commercial policy,

meaning that the EP "is granted shared powers with the Council to adopt regulations on topics such as anti-dumping, safeguards, 'fair trade' instruments such as the Trade Barriers Regulation (TBR) and rules of origin". Power will also be shared "with the Council when it comes to implementing autonomous trade measures such as the EU's Generalised System of Preferences (GSP) schemes". Furthermore, the EP's role will be enhanced with regard to the ratification of trade agreements. Article 218.6 identifies the cases where prior consent of the EP is required for the conclusion of a trade agreement, such as association agreements, agreements establishing a specific institutional framework, agreements with budgetary implications and agreements covering fields to which codecision applies, which the EP believes to mean that consent will be necessary for all trade agreements. Still, the Lisbon Treaty does not confer upon the EP the power to authorise trade negotiations, which remains with the Council, according to Article 218.2. Agreements in the field of culture and audiovisual services will require unanimity when they may "risk prejudicing the Union's linguistic and cultural diversity". Unanimity will also be required for agreements regarding social, education and health services when these "risk(s) seriously disturbing the national organisation of such services and prejudicing the responsibility of Member States to deliver them". And what about FDIs? FDIs have become an exclusive competence of the EU under Article 207.[38] Does this mean that the EU will invest in foreign countries as a single entity? No, it does not.

BITs have been the instrument to guarantee a member state's FDI in a third country. These normally include provisions whose purpose is offering

> certain absolute standards of treatment (for example "fair and equitable treatment"); relative standards of treatment (National treatment or Most-Favoured Nation); protections against expropriation or nationalization; and recourse to dispute-settlement (state-to-state and investor-to-state).[39]

At the time, there are more than 200 BITs between EU and ACP member states only.[40] EU member states have negotiated individually their own bilateral investment agreements in order to provide protection for fund repatriation and against expropriation. The Commission has instead negotiated agreements regarding investment in services, as in mode 3 of the GATS agreement, albeit no investment liberalisation in general. Some member states have construed the provision in the sense that only investment liberalisation will be part of EU competence, as, for example, agreements providing for pre-establishment national treatment. Investment protection would instead remain covered by the member state bilateral investment treaties (BITs). The Commission and other member states on the contrary believe that Article 207.1 covers both, "so that the EU will in future be able to conclude agreements that include comprehensive investment rules similar to those included in US free trade agreements".[41] Therefore, different interpretations of the provision may have very different outcomes:

> [a] broad definition of FDI within the context of IIAs would include investment provisions on market access *and* post-establishment protections, thus extending the European Community's authority over much of the territory currently handled by EU Member States in their BITs ... In contrast, a narrow definition of FDI would adhere much closer to the status quo, limiting the European Commission to negotiating investment commitments on market access, while not affecting the authority of EU Member States to pursue post-establishment protections in their BITs. Should EU Member States and the European Commission fail to reach a common understanding on the definition of FDI in the Lisbon Treaty, it would fall to the European Court of Justice to provide certainty.[42]

What this all means is basically this: the EU may end up signing common investment agreements with other countries. However, the fact that the policy has been communitarised does not mean that agreements among the 27 will be reached (as for the case of asylum and immigration policies). Still, should agreements be reached, this does not mean that there will be EU investments in other countries. If a common agreement is concluded with a third country, say, against expropriation, that will mean that firms from all member states will be allowed to avail themselves of such rules (and not just French or German companies, for example, in case of bilateral agreements between France or Germany and this third country). The new rules will not therefore contribute to making the EU a single, powerful international actor.

Chris Hill, in reference to Europe, has spoken of a "Capability-Expectations Gap", resulting from Europe's not being an effective international actor, when it comes to its ability to make collective decisions as well as its impact on events. It is true that the larger states may still be able to influence international events on their own. However, as Roy Ginsberg has noted, there are "policies of scale" that make the whole of the member states more "influential" than member states taken singularly. One example is the disintegration of Yugoslavia, when Germany abandoned a common position and decided to recognise the new countries, provided that minorities were granted autonomy as regards local government, law enforcement and education. Thus, in the words of Wolfgang Wagner, "the 'carrot' of recognition was largely invalidated and the EU's leverage over the successor states' policies on minority rights dramatically decreased". Ultimately, "[a]s long as a consensus on the principles of a common policy holds, unilateral defection would be selfdamaging because it undermines the effectiveness of the common policy without creating a viable alternative". On the contrary, during the ethnic turmoil in Macedonia in 2001, there was no unilateral defection from the common position agreed by the Council. This was obviously not the only factor preventing further civil war in the Balkan country, but it certainly contributed to the EU's success. It should be noted that the EU's CFSP has mainly been characterised by the presence of two possible sets of situations: On the one hand, and in most cases, pressing needs of crisis management and situations in which member states have had to coordinate their oft-divergent foreign policy positions within extremely tight timeframes; on the other, and to a lesser extent, situations in which the states have had to cooperate (e.g. in the case of economic sanctions, where such collaboration can be problematic because defection may be beneficial to the individual state; or even in the case of the creation of a common armed force, such as the European Rapid Reaction Force, where states may have an incentive to "free riding" in order to offload costs on other states). The intergovernmental method has shown signs of difficulty when decisions had to be made on matters having administrative or financial implications, and foreign policy has been more effective in the event of adoption of directives (in case of sanctions) or use of the EU budget (in case of observer missions).[43] Coordination might in theory be improved and made more effective by the presence of the new HR. However, I have serious doubts on this head, for reasons I will explain later on.

In short, EU member states are often discordant on many, though not all, of the challenges they face, whether it is the recognition of Kosovo's independence, the measures to be implemented to tackle the Greek crisis, common policies on immigration, up to the current "currency war" between the United States, EU and China. With regard to the lattermost, at the time of writing this book the United States has been for some time flooding the market with liquidity via the Federal Reserve (FED), in order to weaken the US dollar and trigger a large flow of capital towards emerging countries and, consequently, an appreciation of their currencies. China is nevertheless refusing to appreciate its currency, the Yuan. The EU is of course divided, with the Commission and the United Kingdom supporting the US position, France supporting China, and Germany, confident of its export surplus and not at all opposed to a strong Euro, wavering between the two positions.[44]

Now, a study by Martijin Groenleer and Louise Van Schaik shows that when Europe is united it may have significant influence on the rest of the world, far more than the United States and even in opposition to it. The authors make the example of the negotiations for the establishment of the International Criminal Court (ICC) and those at the United Nations Framework Convention on Climate Change (UNFCCC) regarding the implementation of the Kyoto Protocol.

The ICC Rome Statute came into force on 1 July 2002, and 114 countries are members at the moment. This, despite the fact that the United States never ratified the Treaty, and despite America's pressing demands for bilateral agreements with individual EU member states, exempting US soldiers from the ICC's jurisdiction. Such requests were rejected by EU member states, although some of them (United Kingdom, Spain and Italy) had initially been more open to compromise.

In the course of the December 2000 Climate Summit in The Hague, and after the United Kingdom's failed attempt at reaching a separate agreement with the United States, EU states proceeded to form a common position on the implementation of the Kyoto Protocol (including their reaction in condemning US withdrawal). This included Europe's pledge, in 2001, to reach its Kyoto target unilaterally, if necessary, and a relentless diplomatic action towards Canada, Japan, Russia and several developing countries. The Kyoto Protocol came into force in February 2005, and has so far been ratified by 192 countries.[45]

However, things are not always so smooth. Success in these initiatives was mainly the result of member states' congruence of initial preferences, which then became more convergent through the interaction between them, third countries and non-state actors. Even so, EU member states had profoundly different points of view on certain key elements. With regard to the ICC, for example, the Council of the EU decided to coordinate its positions (as required by the Treaty) without formally delegating authority to the Commission (which was, at the time, fully associated with the CFSP). In this case, the upshot was positive, because all EU member states voted in favour of the Statute, albeit no common position had been formulated before negotiating on the Statute in Rome. However, the position of the United Kingdom and France was different from that of other member states. Similarly to the United States and presumably out of fear of investigations against their own citizens, they negotiated, during the Rome Conference, the possibility of deferral of investigation or prosecution by the UN Security Council and an opt-out clause with regard to war crime investigations and prosecutions.[46] When disagreements concern the initial preferences, the EU's institutional structure is not so capable of delivering satisfactory results (if any, at all).

What has just been said also applies to large economic and financial organisations. Indeed, when competence on a policy falls upon the EU, rather than individual member states, the EU debates on an equal footing with the United States, often succeeding in asserting its own position.[47]

In particular, the introduction of the Euro and the creation of the European Central Bank (ECB), in charge of the monetary policy of seventeen member states out of twenty-seven, can only lend weight to Europe's international status, because "size matters". As pointed out by Barry Eichengreen and Jeffrey Frenkel, a country's rising share of the world GDP is followed by a nearly equivalent growth of this country's currency reserves held in central banks. In addition, the widespread distribution of a currency allows a country to use it to buy many products on the international markets directly. This enables that country to exercise a sort of "seigniorage" on resources, in addition to decreasing its costs for the acquisition of funds on international money markets and enhancing its power to finance current account deficits.[48]

The Euro is by now the second global currency after the US dollar. However, its diffusion is predominantly regional and is concentrated in the EU's immediate surroundings (the Balkans, Eastern Europe, and North Africa). There has been talk of replacing the dollar with the Euro even in far-flung areas, certainly as a way of contrasting American political and economic hegemony, but also because of the weakness of the dollar and the US ever-growing current account deficit. A few years ago, Venezuelan President Hugo Chavez expressed his interest in the Iranian position to charge Euros for their oil exports, rather than US dollars, and although Iranian oil prices were in US dollars, 57 per cent of payments in 2006 were made in Euros, according to the National Iranian Oil Company.[49] At any rate, the dollar remains the most used currency worldwide. Thus, the United States can continue to live beyond its means, enforcing what De Gaulle termed as "America's exorbitant privilege" and ensuring the preservation of the US dollar's seigniorage power, quantifiable in the difference between the nominal value of banknotes and their production and distribution costs. This, according to Rogoff, amounted during the first half of the 1990s to more than 30 billion dollars a year, i.e. 0.41 per cent of US GDP.[50] It is often claimed that the exchange rate, which, in a thousand variations, still sees the Euro prevail, is not so much the result of the Euro's strength, as the consequence of the dollar's weakness. Euro reserves held by central banks worldwide increased from 14.7 per cent in 2001 (against 76.3 per cent in US dollars) to 16.2 per cent in 2005, a marginal increase mainly resulting from the appreciation of the Euro against the dollar. As for foreign exchange trading, after a peak in the use of the Euro at the time of its introduction, a 10 per cent decrease followed. In 2004 the dollar was used in 44.4 per cent of transactions (it was 43.7 per cent in 2001), and the Euro only in 18.6 per cent of cases, a figure far lower than the sum of the extinct European currencies, which reached 26.3 per cent in 2001. The greatest increase in the use of the Euro has occurred in the stock of international debt denominated in Euros, such as debt issued in Euros by countries not belonging to the Eurozone, that is mainly those adjacent to the area, such as the United Kingdom, whose residents held in 2005 almost 40 per cent of Euro-denominated deposits.[51]

However, despite America's problems, an upturn in Europe's economy and a stronger political union are necessary for the Euro to actually undermine the dollar's supremacy,[52] rather than a larger Eurozone. Indeed, even if the United Kingdom and other states joined the Eurozone, thus making its economy larger than that of the United States, this would not necessarily lead to the supremacy of the Euro against the dollar. Despite a GDP equivalent to Britain's in 1870, it took the United States, who at the time was merely a regional power, another eighty years to see its currency prevail. The Euro might even grow weaker after the admission of the weaker economies of Central and Eastern Europe to the Eurozone. The Euro might grow stronger and replace the dollar if there was a lack of confidence in the US currency, and its loss of value were to be so large as to spark off a flight in the direction of the Euro.[53] This is certainly an unlikely scenario, despite the current weakness of the dollar and the dire state of the US current account deficit. In short, only a federal Europe, initially limited in size and potentially extendable to the rest of the continent, could aspire to take the United States' place as the first economic power on the planet.

Instead, the asymmetries within Europe are evident, and contribute to its weakness. Such asymmetries are manifest also when it comes to participation in the activities of major international economic organisations like the IMF and the WB. With regard to the Euro's place in the international monetary system, Article 138 of the Treaty on the Functioning of the European Union (TFEU) provides that

> the Council, on a proposal from the Commission, shall adopt a decision establishing common positions on matters of particular interest for economic and monetary union within the competent international financial institutions and conferences. The Council shall act after consulting the European Central Bank … The Council, on a proposal from the Commission, may adopt appropriate measures to ensure unified representation within the international financial institutions and conferences. The Council shall act after consulting the European Central Bank.

However, such provision applies only to Council members of the states that are part of the Eurozone (the body informally known as Eurogroup). On the contrary, it does not apply to the other member states, whose central banks form, together with the ECB, the European System of Central Banks (ESCB). As provided under Protocol No. 14 on the Eurogroup, this body meets informally. It is significant that Uwe Puetter has noted that such informality represents the body's main strength, because, as is normally the case in the Council, its goal is attaining the broadest possible agreement on deliberations. This is often the case also within the Eurogroup because

> routinised informal policy dialogue within the Eurogroup is based on an underlying working consensus implying that actors share a common understanding on the fundamentals of the coordination process within the area of EMU.[54]

Puetter has termed this "deliberative intergovernmentalism", to be applied in

> policy areas where interdependencies are particularly high but [where] a more centralised system of governance is not feasible or desirable because member states do not want to transfer sovereignty to the supranational level indefinitely.[55]

It is therefore a system where binding legislative powers are missing and where the intergovernmental method prevails and acts in its constant quest for consensus. However, is consensus really the best choice when it comes to policy-making, especially in difficult situations when not everyone agrees on measures to be taken?

As for participation in the major international economic organisations, the ECB normally takes part as an observer or together with an EU Representative where the issues under discussion require coordination between the Commission, ECOFIN and the ECB. Precisely because these are organisations of states, and the EMU is not one (nor is the EU, for that matter), neither the EMU nor the EU have voting rights. This is the case, despite the Euro's international role, which is by now globally acknowledged, as proved by the fact that the IMF amended the definition of Special Drawing Rights (SDR) starting January 1, 2001, in order to admit monetary unions as well. Accordingly, SDRs are no longer based on a basket of the currencies of the five most important countries (USA, Japan, Germany, France, United Kingdom). Rather, they are now based on the US dollar, the Japanese Yen, the British pound and the Euro, which has been assigned a 29 per cent share in the basket, and is now in second place after the US dollar, with 45 per cent.[56]

Striking situations also occur within the G-7. The ECB represents the Eurozone during some of the phases of the meetings of Finance ministers and central bank Governors. In others, the ECB President leaves and is replaced by the central bank Governors of Germany, France and Italy, which adds to the fact that there are no representatives of European fiscal authorities, since no European fiscal authority has been in place so far.[57]

Two important lessons thus emerge.

The first is that the problem is not so much the communitarisation of policies for which the intergovernmental method still applies (and this still would in any case represent a step forward in terms of transparency and democracy, most of all because the EP would be involved, though not necessarily in terms of efficiency). Indeed, in the cases cited by Groenleer and Van Schaik in their study, the intergovernmental method was used. The Community method is also used for trade policy, as we have seen. This process does not necessarily guarantee better results, it has been noted. Also, as we shall see, even when the Community method is applied and even when Qualified Majority Voting (QMV) is used, the states in the Council of the EU remain supreme and negotiations within the Council continue to have diplomatic and intergovernmental nature. Even when QMV is applied, there is always a risk of watered down drafts resulting from gruelling and lengthy negotiations. This is especially true when it comes to foreign policy (falling within the exclusive responsibility of the Council of the EU, and therefore in the realm of intergovernmental decision-making). Here, as we shall see, states may always slip out and require a unanimous vote when national interests are at stake, even in those cases when QMV is the rule. The real problem is that contrasts are between states: it is not the (healthy) conflict between political forces, including political parties, between the government and opposition, but differences (often irremediable) between still sovereign states, more concerned about their national interests than those of Europe. This leads, generally, to exhausting and endless negotiations, often culminating in watered-down and compromise measures, based on the lowest common denominator. In addition, international organisations remain state-centric. Therefore, the EU, which is not a state, does not have its own permanent seat, even when negotiations concern policies falling within its own, exclusive competence, such as trade policy. In addition, it should be kept in mind, the fact that the EU has exclusive responsibility on a policy does not prevent it from dealing with its member states, which remain the main decision-makers. Studies like Karen Smith's on EU coordination in the field of human rights have shown that despite a growing EU "output" since the 1990s, there still are serious limitations to European unity. These accrue from conflicting national interests and the persistent desire of member states to act independently, and, among other things, the energy consumed in trying to reach agreements among EU member states limits its influence at the UN level.[58]