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## The limits of institutional engineering: the EEAS and the EU's power in a changing environment

### Can institutional machinery increase power beyond intentions?

Power can be defined as one's ability to get what one wants. This requires the capacity to influence other actors' behavior, presupposes the "capabilities" to do so and a vision or strategy that glues capabilities with major objectives<sup>1</sup>. Applying the concept of power to the EU is no easy task. In the first place, the EU is a collective endeavor. Its power mainly draws upon the cumulative resources of its member states and, among others, the aggregate weight of their demographic resources, Gross Domestic Product and Foreign Direct Investments<sup>2</sup>. Secondly, an analysis of the EU's international power implies an understanding of the EU's special nature and foreign policy mechanics, including its goals, toolkit and institutional structure. It also requires an examination of the evolution of the international system and its impact upon the EU.

Foreign policy-wise, the Union is often perceived as a value-driven international actor. But the success of one's beloved values is preconditioned by the power to enforce them. And expectations about the EU's power seldom pass the empirical test. The post-Lisbon treaty reorganization of the EU's foreign policy system to deal with external affairs and the establishment of the European External Action Service (EEAS) is indicative of the daunting obstacles in the way of the EU's influence in international politics. The EEAS was conceived as an institutional device to address incoherence in foreign policy matters. However, the range of policies which intervene to shape the international profile of a given international actor is not confined to foreign policy. Sectors traditionally regarded as "internal" policies – such as energy policy – have strong external repercussions. In addition to these, external policies such as trade or development massively intervene to shape

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### Abstract

With a cumulative army of around 57,000 European diplomats scattered all over the world, the EU and its member states have put into place the biggest collective diplomatic system in the world. In the light of this astonishing presence, one should ask whether such a diplomatic army is able to coordinate and if there is a project behind it.

This paper introduces the new institutional structure of the EU and highlights the permanence of horizontal, vertical and institutional inconsistency in the system. It then questions the existence of a strategy to deal with an international environment characterized by the financial and political crisis in Europe, the increasing volatility of the European neighborhood, a structural shift of economic and political resources towards Asia and the desire to have these changes reflected in a variety of international fora.

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<sup>1</sup> See B. RUSSETT - H. STARR (2006), *World Politics: The Menu for Choice*, London 2008<sup>8</sup>, pp. 102 ss; See also J. NYE, *The Future of Power*, New York 2011.

<sup>2</sup> On a list of possible indicators to measure power, see, among others, B. DE MESQUITA, *Principles of International Politics*, Washington 2003<sup>2</sup>, pp. 236 ss.

(\*) The opinions expressed herein are strictly personal and do not necessarily reflect the position of ISPI.

an actor's international leverage. All these policy areas at the EU level are managed through different procedures, with competences assigned to differing actors. This is clearly a state of the art that the EEAS cannot address. Institutional fragmentation and the ongoing division of competences amount to a foreign policy system badly equipped to cope with international challenges that the Union itself acknowledges as being multidimensional and in need of comprehensive solutions. Competing foreign policy priorities among member states and the lack of clear strategic vision to tackle a rapidly changing geopolitical environment further compound the problem of EU power (or the lack of it).

This paper looks at the post-Lisbon emerging EU foreign policy structures and points to three interrelated sources of inconsistency, namely horizontal i.e. incoherence between different policy areas; "institutional", given the plethora of different actors involved in foreign policy decision-making and the lack of a unified actor or institution with the power to provide strategic unity; and vertical, given the diverging foreign policy objectives among EU member states<sup>3</sup>. It then advances some thoughts on how the EU can enhance its foreign policy effectiveness in a strategic environment characterized by the financial and political crisis in Europe, the increasing volatility of the European neighborhood and a structural shift of economic and political resources towards Asia and the desire to have these changes reflected in a variety of international fora.

### **The new system: a more effective foreign policy system?**

Notwithstanding the changes brought about by the Lisbon Treaty and the setting up of the EEAS, the EU foreign policy system remains highly fragmented, involving different procedures and actors. This plurality of actors and decision-making centers results in a windmill of actions, faces and declarations which blurs the EU's overall external visibility and coherence.

In terms of horizontal consistency at the policy level, a particular policy in a given area may turn out to undermine the effectiveness of the EU's policies or actions in another given area. For instance, the EU has won its patent of champion of economically sustainable development by establishing a link between economic liberalization, international prosperity, democratic advancement, and social stability. Yet its trade, development and security policy prerogatives are subject to different decision-making rules, with no overarching structure coordinating them<sup>4</sup>. In particular, the same definitions that the EU gave to the concept of security<sup>5</sup> or development<sup>6</sup> make it almost impossible to draw a border between policy-areas that are contiguous yet managed with different procedures<sup>7</sup>. In this regard, the border between horizontal and institutional consistency is inherently blurred, as often the impossibility to disentangle different policy components in the management of political dossiers gives rise to conflicts over the attribution of competences<sup>8</sup>.

<sup>3</sup> This tripartite definition of consistency is borrowed from S. NUTTALL, *Coherence and Consistency*, in C. HILL - M. SMITH (eds.), *International Relations and the European Union*, Oxford 2005.

<sup>4</sup> Horizontal consistency between development and, for instance, the Common Agricultural Policy often raised a choir of criticism, whereas export subsidies and non-tariff barriers necessary to support European farmers have often been seen as contradicting the goal of expanding market opportunities for developing countries. See for instance, <http://www.unbrussels.org/our-views-contribution-to-the-european-agenda/188.html>.

<sup>5</sup> See the European Security Strategy, Brussels, 12 December 2003, available at: <http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>.

<sup>6</sup> *Sustainable development includes good governance, human rights and political, economic, social and environmental aspects*, Art 1(7), *The European Consensus*, 2006/C 46/01, at: [http://ec.europa.eu/development/icenter/repository/european\\_consensus\\_2005\\_en.pdf](http://ec.europa.eu/development/icenter/repository/european_consensus_2005_en.pdf).

<sup>7</sup> See extensively W. WESSELS, 2009, pp. 554-555; and J. WOUTERS - S. VAN KERCKHOVEN, *The EU's Internal and External Regulatory Actions after the Outbreak of the 2008 Financial Crisis*, in «European Company Law», 8, 5, 2011, pp. 201-206.

<sup>8</sup> See for instance the Judgment of the Court (Grand Chamber) of May 20, 2008 – Commission of the European Communities v Council of the European Union (Case C-91/05), available at: <http://curia.europa.eu/jurisp/cgi-bin/form.pl?lang=en&Submit=Rechercher&alldocs=alldocs&docj=docj&docop=docop&docor=docor&docjo=docjo&numaff=C-91/05%20&datefs=&datefe=&nomusuel=&domaine=&mots=&resmax=100>.

In terms of institutional consistency, the new figure of a HR/VP and the EEAS were specifically designed to bridge the so called “supranational” and “intergovernmental” pillars. Keeping in line with this bridging spirit, the EEAS represented an unprecedented institutional merger between the part of the Commission’s Directorates dealing with External Affairs, and parts of the Council Secretariat General dealing with foreign and security policy matters. As such, the new organizational chart<sup>9</sup> of the EEAS is, in principle, better equipped for guaranteeing a more pronounced foreign policy and strategic role for the EU (quasi) diplomatic service. But important hurdles remain. Most notably, a plurality of actors is still entitled to speak on behalf of the EU, and competition between different EU bureaucracies remains part of the daily business of EU foreign policy. The new structure continues to reflect the distinction between the so-called security and economic aspects of foreign policy. While the Commission still holds the bulk of financing management of foreign policy instruments and strategically important Directorates General (DGs) – such as enlargement (and the European Neighborhood Policy), trade and humanitarian aid and civil protection – the EEAS is in charge of foreign and security policy. To further complicate the picture, key areas such as development are scattered between the Commission and the EEAS. Coordination mechanisms between the EEAS, DG TRADE and DEVCO have still to be fully worked out, notably when it comes to the programming of instruments.

The vertical dimension of consistency reminds us that the member states either coordinate with the EU or pursue independent external competences under the flag of national interests which, logically, is the fundamental purpose of the national *corps diplomatique* which accounts for 57,000 diplomats considering its members and the EU itself. This calls into question the ability of EU member states to advance in a single foreign policy direction. This is notably the case of the so-called mixed competencies such as climate change, energy, and development, where the policy initiatives of the Commission coexist with those of the member states. The lack of vertical inconsistency does not only mean a bad performance but also a waste of resources<sup>10</sup>. Vertical inconsistency is particularly salient in the realm of foreign and security policy, with the so-called Arab Spring having challenged the EU’s foreign policy machinery at a time of institutional transition. Reportedly, in the case of Tunisia, the EEAS effectively deployed both first and second pillar instruments in an efficient and relatively fast manner<sup>11</sup>. In terms of vertical consistency, however, the member states’ disharmonious choir contributed to dilute the EU’s leverage in the neighborhood. As a result of profound disagreements among the member states, the EU was unable to deal with the spread of the Arab Spring, with oscillating and ambiguous diplomatic positions<sup>12</sup>. The case of Libya proved to be particularly harmful both in terms of institutional and vertical consistency<sup>13</sup>.

To sum up, the setting up of the EEAS (a characteristically energy-consuming exercise in itself) has been challenged by internal and external factors alike. Internally, inter-institutional coordination and competition over key posts have challenged coherence, while externally the deteriorating financial environment and shifts in global political constellations are posing fundamental challenges.

### **The EU in the international arena: copying with new challenges, designing a project**

Despite its unusual foreign policy toolkit, the EU has traditionally relied on extraordinary economic resources, a solid relationship with the US and a position of strength within multilateral institutions.

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<sup>9</sup> Last organization chart, as to 1/10/2011 available at: [http://www.eeas.europa.eu/background/docs/organisation\\_en.pdf](http://www.eeas.europa.eu/background/docs/organisation_en.pdf).

<sup>10</sup> For instance, in development policy, the Commission estimated that better coordination would allow the EU to cumulatively save up to 6 billions per year. EU Commission, *Aid effectiveness agenda: benefits of a European approach*, 2009, available at: [http://ec.europa.eu/development/icenter/repository/AE\\_Full\\_Final\\_Report\\_20091023.pdf](http://ec.europa.eu/development/icenter/repository/AE_Full_Final_Report_20091023.pdf).

<sup>11</sup> See F. BICCHI - C. CARTA, *The Lisbon Treaty and the Common Foreign and Security Policy: A Leap Forward or More of the Same?*, EFPU Working Paper, 2, 2011, available at: <http://www2.lse.ac.uk/internationalRelations/centresandunits/EFPU/EFPUworkingpaperseries.aspx>.

<sup>12</sup> For instance, R. Cooper’s declarations on Bahrain: <http://www.bbc.co.uk/news/world-europe-12829401>.

<sup>13</sup> The famous “hold your horses” sentence that Lady Ashton launched to her co-national Prime Minister David Cameron remains an extremely embarrassing episode. See <http://www.dailymail.co.uk/news/article-1365251/Libya-Gaddafi-win-ends-says-US-intelligence-chief-embarrassing-Obama.html>.

Accordingly, although not conventionally strong in foreign or security policy terms, these three factors have allowed the EU to punch above its weight. All these “inherited” sources of influence are now undergoing a slow but steady process of change<sup>14</sup>. This process is recognized within the EEAS and elsewhere in the EU institutions, as was made apparent by David O’Sullivan who alluded to ‘power shift and global realignments’, characterized by financial instability, new emerging actors and the progressive disengagement of the US in terms of efforts in maintaining global security<sup>15</sup>.

One of the first sources of power, which sails troubled waters, derives from the single market and the single currency. The long-lasting financial crisis in Europe has dramatically cooled down faith in the advantages of the free market economy in the era of globalization. The increasing financialization<sup>16</sup> of the bank and insurance sector in Europe has strongly contributed to disrupting the EU’s economies. A collective response at the European level was weakened by all member states’ temptations to manage the crisis with an eye on their respective national interests<sup>17</sup>. As member states retract into economic and political nationalism, a stronger, supranational, system of regulation, such as that proposed by the Dutch Prime Minister Mark Rutte, seems the only way out of the crisis<sup>18</sup>. Accordingly, the EU is now forced to urgently pursue a twin-strategy in order to stop the spread of global contagion: dealing with the crisis politically with strong supranational authority, while strengthening the regulatory capital framework, in line with the Basel III Committee’s recommendations<sup>19</sup>.

In terms of security, the EU’s solid relation with the US has allowed it to pursue its normative and economically-focused agendas in a relatively comfortable position. On the one hand, the EU member states recognized the opportunity cost of American umbrage for much of the Cold War, leaving the Community to build up its “soft” tools of global governance. With the US calling for slow but continuous military disengagement from Europe and the redeployment of such resources in the Middle East and Asia, the EU has wrestled with the issue of how to deploy its civilian and military capabilities and, more importantly, to what strategic end. The EU is now forced to clarify the role of the military in its overall strategy, both in terms of investments and of a headquarters at the European level<sup>20</sup>.

In terms of global governance, the EU has benefitted from its relatively powerful position in international institutions such as the UN, the World Trade Organization, the International Monetary Fund (IMF) and the World Bank, largely due to the fact that multilateral institutions still reflect the balance of power stemming from the end of World War II<sup>21</sup>. The Copenhagen summit in 2009, however, clearly demonstrated that neither the US nor the so-called “BRICs countries” (Brazil, India, Russia and China, later sided by South Africa) were keen to let the EU lead any longer. The failure of the summit was unanimously interpreted as a failure of the EU’s environmental project. In retrospect, the EU probably did not choose the most suitable venue to pursue the objective of reducing emissions, a goal which could be better pursued by

<sup>14</sup> See J. ROGERS - L. SIMÓN, *The new long telegram: Why we must re-found European integration*, 2011, available at: <http://www.grandstrategy.eu/uploads/8/0/8/5/8085205/longtelegram1.pdf>.

<sup>15</sup> Speech available at: [http://www.eeas.europa.eu/speeches/2011\\_1201\\_dos\\_jea\\_en.pdf](http://www.eeas.europa.eu/speeches/2011_1201_dos_jea_en.pdf).

<sup>16</sup> Financialization can be defined as «pattern of accumulation in which profit making occurs increasingly through financial channels rather than through trade and commodity production» (G.R. KRIPPNER, 2004, p. 14), quoted in G.A. EPSTEIN, *Financialization and the World Economy*, available at: <http://www.peri.umass.edu/fileadmin/pdf/programs/globalization/financialization/chapter1.pdf>.

<sup>17</sup> As was noted, Greece’s economy represents only 2% of the Euro zone, with its debt amounting to 3%. Had the EU rescued Greece promptly and cohesively, the problem would have been manageable. See the analysis of A. CERRETELLI, *Il paradosso del credito pigliatutto*, in «Il Sole 24 Ore», 22 ottobre 2011, available at: <http://rassegna.governo.it/testo.asp?d=70345077>.

<sup>18</sup> <http://www.ft.com/intl/cms/s/0/5284d4a4-d93a-11e0-884e-00144feabdc0.html#axzz1cSyQvPGa>. See also the interesting article of A. MISSIROLI, *Lezioni Chiave della crisi dell’Euro*, 20 ottobre 2011, available at: <http://www.aspeninstitute.it/aspenia-online/article/lezioni-chiave-della-crisi-delleuro>.

<sup>19</sup> *Basel III: A global regulatory framework for more resilient banks and banking systems*, December 2010 (rev June 2011), available at: <http://www.bis.org/publ/bcbs189.pdf>.

<sup>20</sup> For a discussion on the topic, see L. SIMÓN, *Command or Control? Planning EU Military Operations*, ISS Occasional Paper, 81, 2010, available at: [http://www.iss.europa.eu/uploads/media/Planning\\_for\\_EU\\_military\\_operations.pdf](http://www.iss.europa.eu/uploads/media/Planning_for_EU_military_operations.pdf).

<sup>21</sup> On this matter, see S. DUKE, in K.E. JØRGENSEN - K.V. LAATIKAINEN (eds.), *Europe and International Institutions: Performance, Policy, Power*, Handbook, London (forthcoming, 2012).

targeting countries as the US and China at the bilateral level<sup>22</sup>. Nonetheless, the EU still needs to develop a coherent strategy on how to reform international fora, one which combines a fairer distribution of seats, with consideration of how to pursue its goals in an increasingly multipolar context. To sum up, the EU should concert a cohesive strategy on how to obtain the most. This implies deciding what kind of concessions need to be made, while acknowledging that if we do not stand united then “together we’ll fall”. Through its voluble support for effective multilateralism and good (global) governance, the EU has unwittingly set itself a test in the light of the demand from the BRICs for fairer representation in the international institutions. This is most apparent in the IMF where the EU member states cumulatively have a weight double that of the US and over three times the cumulative weight of the BRICs<sup>23</sup>. The US was sympathetic to complaints about the apparent over-representation of the EU members. The time has come to readdress these “inherited” positions of strength, while negotiating the best options for the EU as a whole. Being unprepared to meet such challenges implies that the EU will not be able to negotiate better deals. The world, as usual, will not stop to wait for us.

### **Conclusions: setting up ambitions first, the institutions will follow**

The magnitude of the global changes outlined above obliges the EU to reinforce both legs of its external action, by improving institutional coordination and delivery of policy measures in the short term, while enforcing long term strategic objectives in the European Council.

An enhanced system of policy-coordination and clearer rules on diplomatic representation, above all in international institutions<sup>24</sup>, should be the first priority to pursue to both recreate a sense of unity among European actors and enhance the EU’s international role. While it is too early to assess the performance of the EEAS, continuity can be found with the institutional reform path that characterized the Commission’s diplomatic system: informality and flexibility in setting up the diplomatic service. In times of crisis, institutional engineering requires more than random adaptation. It requires a real project, coupled with bravery and imagination. The Commission and, with its enhanced staff, the EEAS, can offer incredible know-how and experience in the relevant policy-sectors. Enhancing synergies in all stages of the policy-cycle and setting up a credible system of information sharing between institutions and member states could allow the EU to overcome the long transitional stage of the reform. Enhancing synergies also means better coordinating European and member states’ policies in those areas where they share competences.

In parallel, the EU is facing serious challenges, which profoundly undermine the rationale of the process of integration. Overall, the member states need to rethink the EU’s international role and stick together in order to make the most out of limited resources. This requires a collective effort to think strategically about Europe’s priorities. It also means primarily opening a strategically-grounded discussion on how to enhance policy-coordination in key sectors which have strong repercussions at both the internal and international level. The long-lasting financial crisis in Europe has importantly questioned the feasibility of an uneven path of European integration in economic, social and fiscal matters. Enhanced coordination is needed both in fiscal and social matters, coupled with reflections on how to restore welfare infrastructures in Europe<sup>25</sup>. Despite the well-known objections, the member states should now focus on the priority to

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<sup>22</sup> See, for instance, O. GEDEN, *Leading by Example, Revisited: Can the EU still serve as a model to lead global climate policy?*, 2010, available at: <http://hir.harvard.edu/women-in-power/leading-by-example-revisited>.

<sup>23</sup> See, M. EMERSON - R. BALFOUR et al., 2011, pp. 171-172, full ref. in note 3. Similarly, ambiguous positions were taken in the WTO towards China, with the outstanding issue of granting the strategic partner with Market Economy Status (SME).

<sup>24</sup> In this regard, see C. CARTA, 2011, <http://www.isn.ethz.ch/isn/Current-Affairs/ISN-Insights/Detail?Ing=en&id=129522&contextid734=129522&contextid735=129521&tabid=129521>.

<sup>25</sup> Interestingly, the Commission suggested analogous recipes to overcome the crisis: Communication from the Commission, COM(2010) 608 final, Brussels, 27.10.2010, available at: [http://ec.europa.eu/internal\\_market/smact/docs/single-market-act\\_en.pdf](http://ec.europa.eu/internal_market/smact/docs/single-market-act_en.pdf).

mend the frayed solidarity among themselves while relaunching European economies by constituting a substantial rescue fund<sup>26</sup> and a Euro project bond in order to launch economic recovery projects.

In an increasingly multipolar world, the EU must face the reality that its own values often conflict with those of other countries, as the Copenhagen summit fiasco forcibly illustrated. The EU's credibility depends on its ability to contribute to reform the multilateral institutions in the light of the changing international landscape. The EU needs to rethink strategically both its priorities and the most suitable venues in which to pursue them. In parallel, the EU should not give up its ambition of setting up a different model as an international actor. This means establishing more decisively horizontal consistency between interrelated policy areas, such as environment and energy policies. A strategy of diversification of sources of energy supply, coupled with investments in green energy sources would serve the dual purpose of reducing dependence on oil and gas suppliers and setting up an economically and environmentally sustainable model of development.

Due to its specificity, the EU gave rise to different definitions of a specific form of power, be it civilian, normative, transformative or model-giver, until the recent labelling of the EU as a metrosexual power, i.e. one so stylish to have made the need to deploy military power simply out of fashion<sup>27</sup>. Despite its young institutional structure, the Union should now decide what it wants to become and set up its strategies accordingly.

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<sup>26</sup> In a recent article, Paul Krugman compared the risks of the EU's financial rigidities to the gold standard in the 1930s, article available at: [http://www.nytimes.com/2011/10/24/opinion/the-hole-in-europes-bucket.html?\\_r=2&scp=5&sq=krugman&st=Search](http://www.nytimes.com/2011/10/24/opinion/the-hole-in-europes-bucket.html?_r=2&scp=5&sq=krugman&st=Search). See also J.M. COLOMBANI, <http://www.slate.fr/story/45681/europe-crise-euro-deux-vitesses>.

<sup>27</sup> P. KHANNA, available at: [http://www.paragkhanna.com/pdf/Parag%20Khanna\\_Metrosexual%20Superpower.pdf](http://www.paragkhanna.com/pdf/Parag%20Khanna_Metrosexual%20Superpower.pdf).