The EU already has over 15 million Muslims, so religion is not the barrier that some imagine. Likewise, admitting Turkey could help consolidate the EU's status as a global power, both through the admission of a state that bridges into the Middle East and through its extensive military capability. Whatever decision is finally made, it will have serious implications for the Union and its future development.

Chapter 10
The EU in the world

Having shown how 'federal institutions can unite highly developed states', the Community might serve as an example of how 'to create a more prosperous and peaceful world'. Such was the hope that Jean Monnet expressed in 1954 to the students of Columbia University in New York. The EU has been concerned, like others, to look after its own interests, even if it is often hard to reach agreement on what these are. But Europeans have become more aware than most others that these do include the creation of a prosperous and peaceful world. How do its actions, as distinct from its example as a region of peace and welfare, contribute to that end?

The Community as a great trading power

The United States sponsored the uniting of Europe, from Marshall Aid to the birth and early development of the Community. Monnet reciprocated with the idea of an increasingly equal EC–US partnership. Soon after the EEC was founded with its common external tariff, the US responded by initiating the Kennedy Round of trade liberalization in the Gatt; and this led in 1967, after five years of laborious negotiations, to the agreement to cut tariffs by one-third.

That would have been out of the question had the Community not become, with its common tariff as an instrument of external policy, a trading partner on level terms with the US. As an observer in Washington put it, the EC was 'now the most important member of Gatt', and the key to further efforts to liberalize trade. So it indeed became in later rounds of Gatt negotiations, as the creative American impulse of the post-war period declined. The Community played the leading part in the Uruguay Round, concluded in 1994. With tariffs on most manufactures already low, the focus moved to non-tariff barriers where the single market programme gave the Community a unique experience in techniques of liberalization. Its experience was also relevant to the replacement of the Gatt by the World Trade Organization, with its wider scope and greater powers for resolving disputes: a step, perhaps, towards validating the suggestion that the EC's 'example of effective international law-making' might at some stage be 'replicated at global level'.

Of course the Community's trade relations have engendered the normal clash of interests, or at least of what participants suppose to be their interests, with agriculture the prime bone of contention. The protectionist common agricultural policy damaged trading partners such as Australia, Canada, New Zealand, and the US. Following UK accession, this was particularly harmful to the first three which, under the system of Commonwealth preference, had enjoyed free entry for their exports to Britain and then, with a few exceptions such as a quota for New Zealand butter, faced the full rigour of the Community's agricultural protection: a blow that could have been avoided had Britain not failed to join when the Rome Treaty was negotiated. It was not until the 1990s that the Community began to carry out serious reform, when it cut the level of protection for some major items by about half; and it was agreed in the Uruguay Round that the trade-disrupting export subsidies would be eliminated in the

following round: a tough challenge for both the Community and the United States.

While moving closer together on agriculture, the Community and the US diverged over environmental, cultural, and consumer protection issues, with the Europeans favouring standards which led to restriction of their imports from the US and which the Americans regarded as protectionist. Genetically modified organisms, hormone-treated beef, noisy aero-engines, data privacy, and films and television programmes were cases in point.

The friction induced by the Community's network of preferential arrangements has, on the contrary, been eased as tariffs were reduced in successive Gatt rounds. That network had become so extensive, covering almost the whole of Europe and the less-developed countries, that only a few remained outside it, including Australia, Canada, Japan, New Zealand, South Africa, and the US. The Americans were irked by the EC's preferences for particular countries. But the other side of this coin was the relationships that the EC established with large parts of the world's South, which were, however, put to a hard test in the Doha Round of trade negotiations that opened in 2001, following a fractious prelude in Seattle, with anti-globalization riots in the streets and contention in the conference between the EU, wanting a comprehensive agenda, and the US, preferring to concentrate on fields such as agriculture and the environment.

The Union's desire to include matters such as investment, competition policy, public procurement, and trade facilitation, known as the 'Singapore issues', was motivated partly by the view that the world should start moving, as the EU itself had done, beyond the focus on tariffs and import quotas in order to deal with other areas of policy that have a growing impact on trade. But developing countries were not ready for this; and their negotiating power was enhanced by the creation of the G20, led by Brazil,

China, India, and South Africa, with others representing regional and trading interests. Agriculture also emerged, as usual, as an obstacle, with the European and American farm lobbies resisting liberalization; and for some less-developed countries there was an additional problem arising from the Union's 'everything but arms' decision to abolish restrictions on imports from the 40 poorest countries, to the detriment of their competitors in other less-developed countries.

By May 2004 the Trade Commissioner, Pascal Lamy, was able to offer to reduce the Union's insistence on the Singapore issues and to negotiate the removal of all export subsidies, thus enabling the negotiations to move forward in that year. At the same time a surge in imports of clothing from China gave a foretaste of the scale of the challenges to be expected to follow from the size of the Chinese economy and the speed of its growth, with similar impact from India likely to follow; and Chinese accession to the WTO in 2001 was to make it harder for the Union to react with anti-dumping measures. While progress was nevertheless made with the Doha Round, the EU and the US still found it hard to negotiate reductions in their agricultural protection that would induce the G20 to respond positively enough. Whatever the outcome, there will be consideration of the viability of further trade rounds that have to be approved unanimously by 150 states, and of whether a different route towards international trade liberalization will be required; and the Union will have to consider whether, and if so how, its own experience of the last half-century can be applied in the wider world.

The EU, its neighbourhood, and the developing world

Whereas relations with the US are important for all member states, individual states have special relationships with particular countries in most of the rest of the world; and many of these became shared by the Union as a whole.

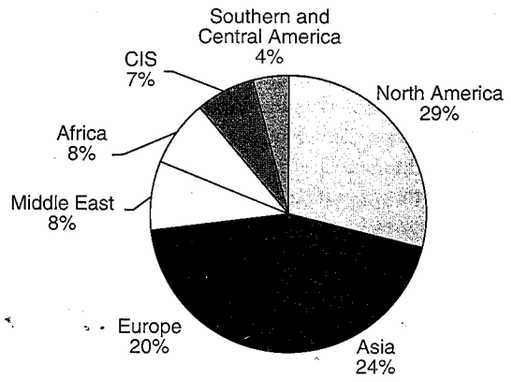
This, like much else, stems from the Treaty of Rome. France wanted advantages for its colonies, and made this a condition for ratification of the treaty. So the Community as a whole granted free entry to imports from them and provided aid through the European Development Fund (EDF). The same applied to territories relating to Belgium, Italy, and the Netherlands; and the resulting association was the original basis for the present Cotonou Convention. French pressure also led to preferential agreements for Morocco and Tunisia; and these were the forerunners of the present far-reaching system of agreements with neighbouring states.

After they became independent, the association with former colonies was transmuted through a Convention that provided for joint institutions: a Council of Ministers, Committee of Ambassadors, and Assembly of Parliamentarians. Following British accession, the Commonwealth countries of Africa, the Caribbean, and the Pacific joined in negotiating the Lomé Convention. This broadened the participation to include most of Africa and the Caribbean islands, as well as a number of islands in the Pacific, known collectively as the ACP countries. It removed some vestiges of the colonial system and has expanded the aid towards a level of €3 billion a year since the 1990s, together with money to cushion the associates against falls in their income from commodity exports.

The Lomé Convention was renewed for the fifth time at Cotonou in the year 2000, in difficult circumstances. For the associates were disturbed by the erosion of the margins of preference as tariffs had been reduced in successive Gatt rounds; and the Union was concerned that, despite the massive quantities of aid, almost all of Africa remained in bad shape, owing at least partly to poor governance. Enough was at stake, however, to win the agreement to the fifth Convention, both of the EU's partners, with the renewal of the aid programme, and of its member states, with the Convention's recognition that adequate performance

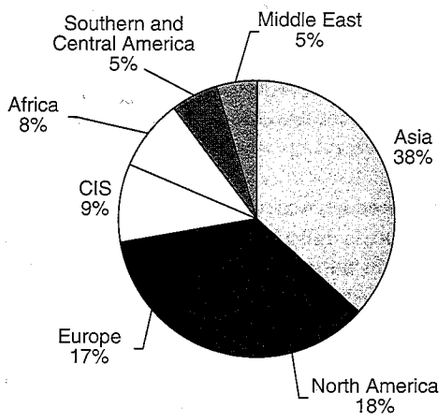
Direction of EU trade in goods by region, 2004

Exports



Total exports: €1158.7 billion

Imports



Total imports: €1231.3 billion

EU's partners in the Lomé Convention

The Lomé Convention links the EU to 79 African, Caribbean, and Pacific (ACP) states, giving them free and preferential entry for their exports to the EU and aid for their economic and social development:

- Angola
- Antigua and Barbuda
- Bahamas
- Barbados
- Belize
- Benin
- Botswana
- Burkina Faso
- Burundi
- Cabo Verde
- Cameroun
- Central African Republic
- Chad
- Comores
- Congo
- Congo Democratic Republic
- Cook Islands
- Côte D'Ivoire
- Cuba
- Djibouti
- Dominica
- Dominican Republic
- Eritrea
- Ethiopia
- Fiji
- Gabon
- Gambia, The
- Ghana
- Grenada
- Equatorial Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Jamaica
- Kenya
- Kiribati
- Lesotho
- Liberia
- Madagascar
- Malawi
- Mali
- Marshall Islands
- Mauritania
- Mauritius
- Micronesia
- Mozambique
- Namibia
- Nauru
- Niger
- Nigeria
- Niue
- Palau
- Papua New Guinea
- Rwanda
- São Tomé & Príncipe
- Samoa
- Sénégal
- Seychelles
- Sierra Leone

Solomon Islands	Suriname	Tuvalu
Somalia	Swaziland	Uganda
South Africa	Tanzania	Vanuatu
St Kitts and Nevis	Timor-Lester	Zambia
St Lucia	Togo	Zimbabwe
St Vincent and The Grenadines	Tonga	
Sudan	Trinidad and Tobago	

in governance would be a criterion for the allocation of aid, and that the associates were to prepare their economies to join the Union in a free trade area in 20 years' time. Through the 1990s, moreover, the EU laid growing emphasis in its external relations on human rights, and the Lomé Convention requires the participants to respect them.

By the end of the 1970s the Community also had a network of agreements according preferences and assistance to states around the Mediterranean, with content not unlike that of the Lomé Convention but without the multilateral institutions. The network included all the North African states – save Libya which declined to participate – together with Israel, Lebanon, and, at one remove from the Mediterranean, Jordan and Syria.

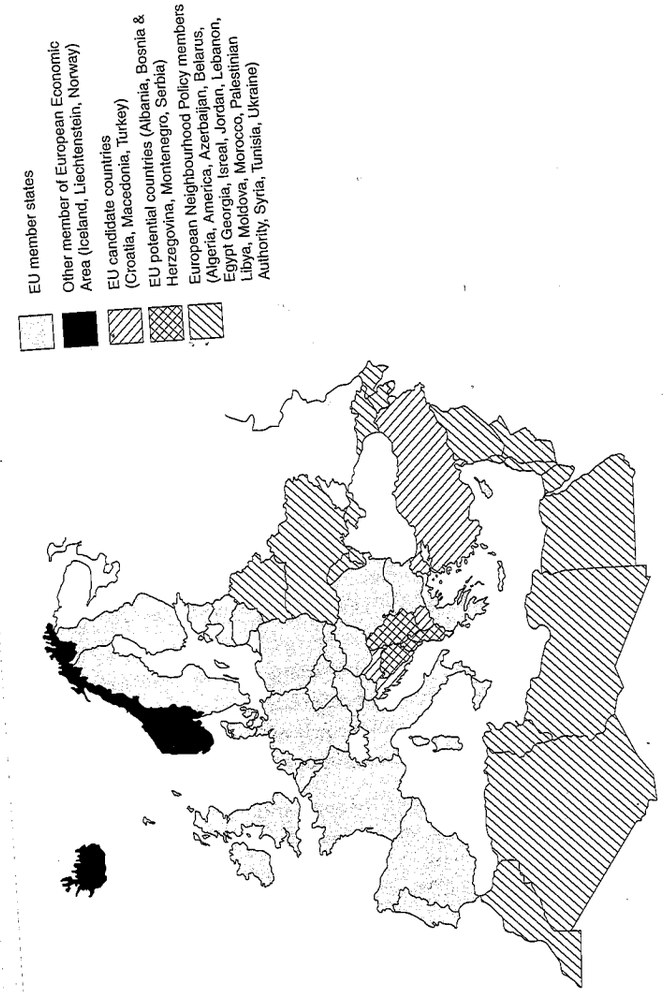
By the 1990s, a combination of economic difficulties, political instability, and rapid population growth in most of these countries, with consequent pressure to migrate to Europe, caused growing anxiety in the Union, particularly among its southern states. The outcome was a conference of ministers from the Union and its Mediterranean partners, held in Barcelona in 1995, which launched a 'Euro-Mediterranean process' aimed at building a

Cotonou Convention, 2000–2020

The EU and ACP states (see Box 10.1) agreed in 2000 to renew the Lomé Convention for the fifth time, for a 20-year period. The resultant Cotonou Convention can be revised every five years and the aid protocols are also to be limited to five-year periods. The ACP-EU Council of Ministers meets yearly to review progress.

- ***Trade*** **is at the heart of the agreement. Negotiations between the EU and each ACP state for 'economic partnership agreements' are to result by 2008 in a new trading arrangement intended to lead to an EU-ACP free trade area by 2020. Meanwhile the free or preferential entry to the EU is to be retained.**
- ***Aid*** **has been set at 13.5 billion euros for the first seven years, on top of 9.5 billion euros already allocated but not yet spent. Good performance in use of aid is to be rewarded.**
- ***Poverty reduction*** **is to be a favoured focus for development strategies.**
- ***Non-state actors*** **are to be encouraged to participate in the development process.**
- ***Political dialogue*** **indicates a harder-nosed EU approach, with good governance, respect for human rights, democratic principles, and the rule of law as criteria for aid policy, and with action against corruption.**

Cotonou is coloured by the EU's disappointment with the results of the preceding Lomé I-IV, attributed to poor governance in many countries. Given this starting point, the development of an EU-ACP free trade area is a very ambitious idea.



Map 4 The EU's neighbourhood

wide range of multilateral links across the basin. However, the headline goal of the process – a free trade area by 2005 – was soon to founder on the political differences of the partners and the constant distraction of the Eastern enlargement.

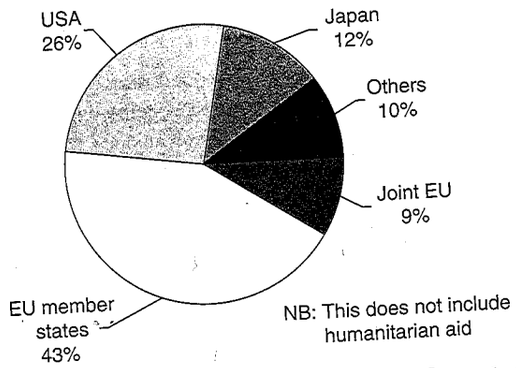
With the coming of that enlargement, the Union engaged in a wholesale review of its links with its neighbours, with a particular eye on trying to keep the Union an open and accessible grouping. Thus it was in 2003 that the Commission proposed replacing the Euro-Mediterranean process, PHARE, and TACIS with a European Neighbourhood Policy. In 2007, these former programmes were formally incorporated into the ENP, supported by a new financial instrument that will provide some €1.7 billion a year for cross-border cooperation, the development of civil society, and technical assistance.

While the ENP represents a significant commitment on the part of the EU to these countries, it remains to be seen whether it will have any significant impact on the development of a more stable, democratic, or prosperous environment around the EU's borders.

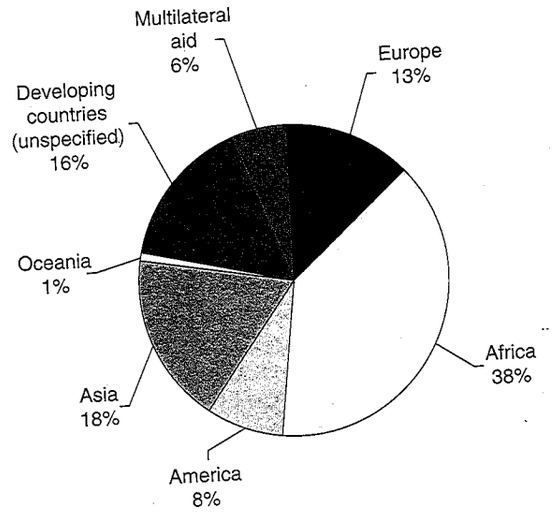
Asia, Latin America, and generalized preferences

Britain, on joining the Community, managed to secure satisfactory terms for Commonwealth countries from Africa, the Caribbean, and the Pacific. But no special arrangement was agreed for the Asian members of the Commonwealth – India, Pakistan (which then included Bangladesh), Sri Lanka, Malaysia, Hong Kong, and Singapore – most of whose exports had entered Britain tariff-free under Commonwealth preference. The damage was limited, however, because in 1971 the Community was among the first to adopt a Generalized System of Preferences (GSP), according preferential entry to imports from almost all Third World countries that did not already benefit from the Lomé Convention or the Mediterranean agreements; and this reduced the discrimination against most Asian and Latin American

Shares of official development aid from EU, US, Japan, and others, 2005



Development aid from EU and member states by destination, 2004



EU agreements and links in the Third World, other than Lomé and ENP

The EU has Trade and Cooperation Agreements with:

Argentina	Mexico	South Korea
Brazil	Pakistan	Sri Lanka
Chile	Paraguay	Uruguay
Colombia	South Africa	Vietnam
India		

The EU has links with other regional groupings, including:

Andean Community (South America)	Gulf Cooperation Council
Mercosur (South America)	SAARC (South Asian Association for Regional Cooperation)
San José group (Central America)	ASEAN (Association of South-East Asian Nations)

The EU's Generalized System of Preferences applies to almost all developing countries.

countries. The system was less favourable than it may sound because for 'sensitive' (that is, the more competitive) products there were quotas limiting the preferences to quantities fixed in advance for each product and each member state. But the generalized preferences nevertheless helped to strengthen links with less-developed countries.

While the margins of preference that the GSP affords less-developed countries have declined along with the reduction of the general level of tariffs, their links with the EU through its aid

programmes have become increasingly important. These amount to some €6 billion a year, including both humanitarian aid and the development aid for ACP countries and the ENP. The Community has also concluded bilateral trade and cooperation agreements to strengthen its links with major developing countries, including India, Mexico, and Brazil; it has agreements with regional groups such as ASEAN (the Association of South-East Asian Nations); and since Portugal and Spain joined the Community in 1986, their special links with Latin America have been added to those of other member states in Africa and Asia.

While the economic impact of the agreements, preferences, and aid can hardly be measured and may not have been very great, the Union has gained political credit which may be of help in the future development of its relationships with Asian, African, and Latin American countries.

Money

Whereas its common tariff had made the Community a trading power equivalent to the US, before the euro it had no monetary instrument that could become the equal of the dollar in the international monetary system. The challenge to American hegemony was one of the motives behind the long-standing French support for a single currency. The fluctuations of dollar exchange rates were uncomfortable for other member states too. The dollar's weakness first disrupted the attempt to create a single currency in the early 1970s, then spurred Europeans into taking the first major step of monetary integration with the establishment of the European Monetary System in 1979. In the 1980s the US policy of high interest rates, designed to counter inflation, provoked a debt crisis in many developing countries, restricting their development for up to a decade.

When those who manage a dominant currency have to choose between dealing with a domestic problem and taking account

of the impact on other economies that are influenced by their choice, they naturally choose their domestic interests. Europeans experienced this in the 1990s when high German interest rates, designed to control inflation following German unification, exacerbated recession in other countries influenced by the dominant deutschmark; and this gave added edge to their support for the single currency, with a monetary policy tailored to the needs of the participants as a whole. While that remedy is not available to deal with the dollar's dominance in the world system, the euro can be the basis for a countervailing monetary power.

Thus the euro is another source of money with a different economic cycle, which can counteract the dollar's influence when it works against other countries' interests; and the wide swinging of the euro's exchange rate against the dollar during the past few years has been inconvenient for business on both sides. Despite the fact that the Union's monetary policies have initially been inward-looking, the euro could, however, become the basis for an exchange rate policy that favours international monetary stability. But it is handicapped by the weakness of its arrangements for conducting such a policy, with responsibility divided between the European Central Bank and the Council of finance ministers. The euro might, moreover, along with other major currencies, help to initiate an international system for stabilizing exchange rates. But here its institutional weakness is compounded by the veto that each minister retains over such decisions. The Union will be unable to act responsibly in the international monetary system without appropriate institutional reform. Nor is it likely to exert its due influence in the International Monetary Fund until a common policy is represented there with a single voice. So the Union has not yet made full use of the opportunity that the euro offers to replace American hegemony with a more equal relationship, such as the common commercial policy has long since done with respect to trade.

Security: peacekeeping and climate change

American hegemony in defence will, however, remain unchallenged for as long ahead as can be contemplated. Not only would Europeans have to undertake vast expenditure in any attempt to become independent of American strategic power, but the force thus acquired would also have to be controlled by a solidly established democratic European state with a number of years of reliable decision-taking behind it. So Europeans continue to depend on Nato's American-led strategic shield; and their efforts in the field of defence will be mainly to contribute to peacekeeping and peacemaking, particularly in actions sponsored by the United Nations. For defence of the Union's territory against major threats, Europeans will continue to depend on American protection.

It would be unwise to assume that such protection would never be needed, in what is becoming a multipolar world in strategic as well as economic terms, and where a growing number of states have weapons of mass destruction. Military threats to the Union's interests could, moreover, emerge with which the Americans may be unable or unwilling to deal. So the Union is likely to continue building its defence capacity as well as to keep the alliance in repair, while at the same time using its soft power to further the development of a safer world.

The Union did, as we saw in Chapter 8, resume the development of its military activities without much delay, following the internal divisions during the build-up to the American intervention in Iraq. Before the end of 2003, the European Council unanimously approved Javier Solana's proposal for an EU strategy to strengthen security around the Union and in the international order. In 2004, the Nato force in Bosnia was replaced by the EU force of 7,000 troops, with Nato assets and capabilities; and smaller but significant operations were undertaken in Georgia, Macedonia, and the Democratic Republic of Congo – the latter a precursor

of the project for establishing battle groups which was launched in the same year. By 2006, the Union sent a peacekeeping force of some 8,000 troops to Lebanon after the war there between Hizbollah and Israel.

Thus the Union continued creating a significant capacity for military contributions to peacekeeping and peacemaking, a most important complement to which is its capacity to contribute to the civilian elements of peacekeeping, together with its experience in assisting the building of democratic states. One example, which can follow directly from a successful military mission, is the police missions, such as the Union has provided in Bosnia, where in 2003 it took over from a UN Police Task Force, followed by others in Macedonia, Democratic Republic of Congo, and Palestinian Territories. More broadly, it has much experience of assisting with the development of political, judicial, and administrative institutions, and the structures of civil society, particularly among Central and East European states preparing themselves for accession, as well as in the West Balkans and farther afield; and this has great potential importance for wider application in a world in which failed or failing states can be a serious security risk, while solidly based democracies can contribute much to stable international relations.

The common foreign policy element of the CFSP has been developed alongside the ESDP, ably assisted by Javier Solana representing the Union in, for example, the quartet of UN, US, Russia, and EU working on the road map for the two-state resolution of the Israel-Palestine problem, and, along with the representatives of France, Germany, and the UK, in the sensitive talks with Iran about uranium enrichment. This, with the economic implications in both cases, strongly suggests the merit of the provision in the mandate for the Reform Treaty for combining the functions of the High Representative with those of a Vice-President of the Commission, with influence over the Commission's external policies.

The environment is also a vital aspect of security, with climate change among the gravest threats to the welfare, and perhaps the lives, of the world's people; and the Union has made the major contribution to international efforts to deal with it. In 1986, when it had become evident that chlorofluorocarbons (CFCs) could destroy the ozone layer and thus endanger life on Earth, the EC succeeded in breaking a deadlock in negotiations for the Montreal Protocol to the UN Framework Convention on Climate Change, thus halting the degradation. Then in 1997 the Union played the leading part in the negotiations for the UNFCCC's Kyoto Protocol to stem the emissions of carbon dioxide and other greenhouse gases, which are generating a potentially disastrous degree of global warming. Despite intractable American resistance to targets as well as to the assistance required by developing countries for the necessary technological transformation, the EU ensured that there was agreement on the target of cutting emission by 8% below 1990 emissions by 2012. It also secured sufficient ratifications, in the teeth of energetic American opposition, for the Protocol to enter into force in February 2005; and the final ratification required was that of Russia, which appears to have been encouraged by the Union's use of an instrument of its common commercial policy, as the EU almost simultaneously reciprocated with its formal acceptance of Russia's coveted entry into the WTO.

Having concluded that global emissions need to be cut by 60% by mid-century and adopted that target for its own emissions, the EU has a compelling interest in securing similar commitments from as many states as possible; and it will do what it can, in negotiations for the commitment period of the Kyoto Protocol that is to start in 2113, to lead the other states in that direction.

The Union's role in the world

Too much American hegemony is dangerous for Americans as well as for others. Overwhelming power can lead to rash

17. President of the European Commission, José Manuel Barroso, with Romano Prodi, George W. Bush, and Shinzo Abe at the 2007 G8 summit in Heiligendamm

decisions; and the burden is too great for one country to carry alone. China seems likely to catch up with the US during the first half of this century as a military as well as economic power, with unpredictable consequences; and India may well follow. But the EU has the potential to be, much sooner, at least an equal partner with the US with respect to the economy, the environment, and soft security, though not defence.

Indeed, the EU's long-standing parity with the US in the world trading system has shown what can be done when sufficiently effective institutions dispose of a common instrument. The euro offers a basis for a similar performance in the international monetary system, if the institutions for external monetary policy are adequately reformed. For action on global climate change the Union should be able, again with some strengthening of its institutions, to maintain its leading role. Soft security, including the civilian aspects of keeping the peace, is a field in which it is developing a capacity that could become an essential counterpart

for American military power; and the military instruments that the EU is creating also open up opportunities to perform a complementary role.

Adjustment to such changes in power relationships is always hard for those who have been on top. But it should not be too hard for Americans to adjust to a more powerful European Union, with a society that shares so much in so many ways; with four decades of reasonable cooperation in the field of trade where both already have equivalent strength; and with no prospect of rivalry in the field of military power. Having adjusted to an equal partnership with the EU in most other fields, it should be easier for the US to adjust to changes in relationships with other emergent powers, particularly as the EU will be well placed, with its network of relations with countries around the world, to advance the process of creating a stable world system that accommodates them.

The Union's own experience of institutions, policies, and attitudes that have helped the member states to live together in peace for half a century, together with its worldwide network of relationships, should indeed enable it to influence others to move in a similar direction. But Monnet's idea that such institutions might serve to create a prosperous and peaceful world could be realized only under quite exacting conditions. The necessary sharing of sovereignty is possible only among pluralist democracies that are willing to accept a common rule of law, and have the capacity to develop common legislative institutions to enact it and a system of government to implement policies within it. These conditions apply to a large extent within the Union, but in many parts of the world they do not. Meanwhile the Union can assist efforts to develop such conditions where they do not yet exist and to undertake Community-type developments where they do; and it can support steps to help the United Nations and other international organizations to become more effective, while

recognizing that institutions of a community type cannot be created at that level until pluralist democracy becomes the norm throughout the world. But Union policies which point towards such an outcome are in the long-term interest of its states and citizens; and even if a very long time-scale has to be envisaged, the European experience has shown that initiating a process which leads in that direction can already begin to transform relations between states.