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What role does the European integration process play in shaping transatlantic relations, if any? The question brings forth the related issue of whether the EU is able to exercise leadership in fostering changes in the international system and through its relationship with the US. The paper provides a literature review on the EU as a foreign policy actor, specifically the extent to which it contributed to changes in the internatio-

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nal system along a multipolar pattern. To do so, the paper looks at the EU's ability to strengthen multilateralism in international trade, in particular through the WTO and its role in international security through NATO. The paper's analysis of the EU and its ability to speak with one unified voice is significant in understanding the EU's role in Transatlantic relations and its ability to become player on its own right with regard to the US.

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# European Integration and Transatlantic Relations

Meltem Müftüleri-Baç and Damla Cihangir\*

Transatlantic relations

European integration

## Introduction

In the post 1945 world order, the partnership between European countries and the United States (US) was the most important relationship in world politics. In as much as international institutions are the focal points of global order (Bull 1995, Keohane 1984), the powers that shaped and maintained these institutions also acted as the main agents of global governance (Dinan 2005, Manners 2002). The US and its European allies, representing the 'West', were the main force behind the international financial order, the free trade system and the collective security arrangements. The United Nations, the General Agreement on Tariffs and Trade (GATT) regime, and the Bretton Woods system comprising the International Monetary Fund (IMF) and the World Bank, all have roots in the 'West', and the 'West' achieved through them a leadership status which the Soviet-led Communist bloc was never able to match fully (Keohane 2002). It is within this framework of global governance that the possible impact of the European integration process on transatlantic relations needs to be assessed. Particularly important here is whether the EU has exercised any form of leadership in its relations with the US and in fostering international cooperation (Manners 2010, Whitman 1998, Smith 2006). While doing so, one might reflect upon the declaration of European Commission President, José Manuel Barroso, that: "Europe needs the US and the US needs Europe. When we speak with a common voice, no challenge is too great. When we speak with a common voice, we are truly an indispensable partnership" (European Commission 2006). Within this context, the EU's evolution as a foreign policy actor (Hill 2003, Toje 2008), specifically the extent to which it contributed to changes in the international system along a multipolar pattern, has been critical in transatlantic relations (Bickerton 2011, Howorth and Menon 2009). In order to do so, the paper analyzes the EU's ability to strengthen multilateralism in international trade (Meunier 2000), in particular through the World Trade Organization on the one hand and its role in international security through NATO (Smith 2011) on the other hand, as policy areas where the EU's role as a foreign actor could be assessed. More specifically, this paper argues that where the European integration enabled the EU to speak with one unified voice, the Union played a leadership role in the international system and emerged as a partner of equal rank in its relations with the US.

This brings us to the following questions: What role exactly does the European integration process play in shaping transatlantic relations? Does it drive them towards greater or lesser cohesion? Has the EU exercised leader-

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ship in fostering changes in the international system and in its relations with the US? With reference to the three hypothetical scenarios envisaged by the Transworld project (Tocci and Alcaro 2012), is EU integration shaping transatlantic relations along a structural drift, a functional partnership or an enduring partnership pattern?

On the economic front, the introduction of the euro, the EU's single position in the World Trade Organization (WTO) and the European power in the G8 and G20 (where the EU is present also on an autonomous basis) and the international financial institutions (IFIs) are cases where the EU exercised leadership both in strengthening multilateralism (Meunier 2000, 2005), and through its relationship with the US. On the security side, the development of the Common Foreign and Security Policy (CFSP) and the European (now Common) Security and Defence Policy (ESDP/CSDP) as well as of the EU's external development aid policy, alongside external developments such as crisis management in the Balkans, the Iraq war, relations with Russia and Iran's nuclear programme are all issues on which EU member states have found themselves struggling between their wish to keep a united front (Howorth and Menon 2009, Manners 2010, Tonra and Christiansen 2004) and the priority, at least of some member states, not to alienate the US. These emerge as policy areas where the EU's ability to exercise leadership remained limited (Smith 2006), and the EU as a whole did not significantly contribute to international changes (Hollis 2012). Furthermore, in the post 9/11 period, in matters of internal security, counter-terrorism has emerged as an area where EU integration has forced a reappraisal of relations with the US within EU member states (Howorth and Menon 2009). There are, of course, other issues such as environmental protection or the International Criminal Court (ICC), in which the EU did exercise some leadership and contribute to international changes that shaped the policy outcomes (Howorth 2010). This paper cannot address all of these issues. It instead narrows down its focus to trade policy - an area where European integration has been the most extensive with the EU exercising leadership role in fostering multilateralism on the one hand and contribute to the creation of a multipolar world on the other hand (Peterson and Steffenson 2009); and the EU's foreign policy - an area where progress in European integration has lagged well behind (Sjursen 2011b, Hollis 2012, Hill 2003) thereby limited the EU's leadership role both internationally and in terms of its relations with the US.

In this context, it is important to keep in mind that transatlantic relations and the process of European integration are both affected from the emerging global balances of power (Kopstein and Steinmo 2008). The political and economic conditions that have enabled the EU and the US to act as global leaders are fading,<sup>1</sup> although the ability of rising powers to challenge the Western-shaped and -dominated liberal order remains an open question (Hart and Jones 2010, Howorth 2010). The rising powers such as China, India, and Brazil, as well as a resurgent Russia, contest the rules that the transatlantic partners have drawn up as well as their ability to decide on the fate of global governance (Hart and Jones 2010). The economic crisis and the decline in the credibility of Western economic models world further exacerbates this situation. It is also within this changing international context that the EU's leadership abilities to strengthen multilateralism or contribute to a multipolar world might remain limited.

In order to assess the potential future of transatlantic relations, this paper first looks at the evolution of European integration, and then it investigates the evolution of the EU as a foreign policy actor as well as the implications of EU trade policy for transatlantic relations. The paper provides an overview of the current literature on the EU's ability to strengthen multilateralism, its role as a foreign policy actor in the building of a multipolar world and the institutionalization of its relations with the US.

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<sup>1</sup> Their combined share of global wealth has steadily declined from 52 percent in 1990 to 40 percent in 2011.

# 1. European Integration and the Institutionalization of Transatlantic Relations

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In order to appreciate the extent to which the European Union played a leadership role in building a multipolar world, and to assess the relative impact of European integration on transatlantic relations, one needs to take a step back in time and see how the EU integration process has evolved and how it has worked. The pace of European integration has been largely shaped by the tension between a push for greater supranationalisation (particularly, but not only, from the Commission) (Jones, Menon and Weatherill 2012, Aalberts 2004), and the tendency of national governments to prefer intergovernmental solutions in most policy areas (Moravcsik 1993, 1998). This struggle between supranationalism and intergovernmentalism has been projected onto transatlantic relations, as the EU's influence in transatlantic relations depends on its political unity and its ability to speak with one voice in international institutions (Smith 2006).

A number of scholars conceptualize the European Union as a system of multilevel governance (Tömmel and Verdun 2009, Hooghe and Marks 2001). For some scholars, the EU is incapable of defining its place in the world (Hix 2008), while for others, the EU's internal 'effective multilateralism' is unique for allowing states to go beyond their narrow, material self interests, and establish common positions to deal with their collective problems (Bickerton 2011). Having said that, there seems to be a consensus among EU specialists that the European integration process has not evolved into a supranational state (Sjursen 2011b, Jones, Menon and Weatherill 2012, Smith 2011). An interesting question for European integration is whether the EU, in spite of occasional setbacks, is nonetheless bent on a path towards something like a federal state (Sjursen 2011b), or whether it might backtrack towards a more intergovernmental polity (Hill 2003). It is also possible to stick to the aforementioned assessment of the EU as a new model of multilevel governance (Tömmel and Verdun 2009, Hooghe and Marks 2001) with overlapping competencies between national governments and supranational institutions. The EU's future as a polity is an important source of debate among theorists (Taggart 2006, Moravcsik 1998, Eriksen and Fossum 2002). All differences of theorizing notwithstanding, there is widespread consensus that the Union represents the only experiment in international politics where a true pooling of sovereignty has been achieved.

The catastrophic experience of World War II spurred Western European nations to embark on integration (Soedentorp 1999). The process was launched in the 1950s with the goal of making war materially impossible on the European continent. This was an important concern in the aftermath of World War II, as from 1914 to 1945 European countries were faced with the risk and reality of constant warfare. British Prime Minister Winston Churchill gave voice to this concern in his famous 1946 speech at the University of Zurich as the need "to recreate the European Family, and to provide it with a structure under which it can dwell in peace, in safety and in freedom [...] a kind of United States of Europe". The American government was highly supportive of the initiative.<sup>2</sup> Even though the EU originated from an economic project, the integration process has over time spilled over to political arenas, from citizenship to foreign policy coordination. Before the current crisis, the apparent success of the integration process engendered the view of the EU as a model for regional integration (Parsons 2003) and a unique way of dealing with interstate conflicts.

When the Paris Treaty that established the European Coal and Steel Community (ECSC) was signed in 1951, few people expected that the handful of signatory countries to expand into one of the most powerful blocs in the world. The integration process was given a new powerful impulse in 1957, when the original six - France, West Germany, Italy, Belgium, Luxembourg and the Netherlands - signed the Rome Treaty that established the

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2 For a detailed account of the history of European integration see Dinan 2005 and Jones 2012.

European Economic Community (EEC). The Rome Treaty set the path of integration with the ultimate motto of an “ever closer union” (Dinan 2005) and aimed to eliminate restrictions on the so-called ‘four freedoms’: freedom of mobility of people, goods, services and capital. Even though the early years of integration were uneasy (Green Cowles and Egan 2012), the EEC began to symbolize a post-national political aspiration. The US, which had granted diplomatic recognition to the ECSC already in 1953, continued to back the integration process as a powerful instrument to ensure political stability and foster prosperity in West Europe.<sup>3</sup> US support was an important factor in ensuring that, between the 1970s and 1980s, the Community accepted six new members: the United Kingdom (UK), Ireland and Denmark in the early 1970s, and Greece, Spain and Portugal between 1981 and 1986.

Since its launch in the 1950s, the integration process evolved through the transfer of competencies from national centres to supranational authorities (Hooghe and Marks 2001). This transfer of competencies was not an easy feat and slowed down or suffered backlashes when member states tried to protect their national material interests as in the 1965 ‘empty chair’ crisis (when France’s opposition to changes to the common agricultural policy paralyzed the EEC), the 1992 Danish ‘no’ to the Maastricht Treaty - the treaty that had established the EU as the over-arching framework of the EEC and created the basis for the euro - or the 2005 rejection of the Constitutional Treaty in France and the Netherlands. The most important manifestation of the struggle between supranational authority and intergovernmentalism is seen in the unanimity principle and the veto power of the member states (Aalberts 2004). Since the 1966 Luxembourg compromise that ended the ‘empty chair’ crisis, the veto power has enabled member states to block EU legislation (Moravcsik 1993) or transfer of competencies to EU institutions. Alternatively, even in areas where unanimity does not apply, the member states build coalitions to form blocking minorities. A case in point is the blocking minorities of Spain, Portugal, Ireland, Italy and Greece in budgetary negotiations. In order to assess the implications of the supranationalism and intergovernmentalism cleavage on the European integration process, a brief look into treaty amendments is useful.

The first revision to the Rome Treaty came in 1986 with the signing of the Single European Act (SEA) (Dinan 2005). The SEA recognized the European Council as the highest political authority of the European Community and re-introduced qualified majority voting in the Council of Ministers as well as the cooperation procedure for increased involvement of the European Parliament in the EEC decision-making process, thereby addressing mounting concerns about the Community’s efficiency and democratic accountability (Eriksen and Fossum 2002). The SEA created the world’s largest internal market (Moravcsik 1993) by eliminating lingering restrictions on the mobility of goods. As size is an important indicator of market power (Damro 2012), the EEC became one of the most important global players in international trade (Meunier and Nicolaïdis 2006). The real quantum leap in the integration process, however, came in 1992 with the Treaty Establishing the European Union, more commonly known as the Maastricht Treaty, that created, alongside the European Communities, a second and third pillar, namely a common foreign and security policy and cooperation in justice and home affairs. The three pillars together gave rise to the European Union. The process of integration was further deepened with the 1997 Amsterdam Treaty, the 2000 Nice Treaty and, finally, the 2007 Lisbon Treaty. The Lisbon Treaty eliminated the pillar structure of the Maastricht Treaty and took further steps towards a political union; including the granting of legal personality to the EU (previously only the EC had enjoyed such a status) (Piris 2010). Parallel to its institutional deepening, the EU widened from its original six to 27 member states by 2007, and the enlargement process had significant impact on the EU’s decision making efficiency (Hertz and Leuffen 2011).

There were two important consequences of the EU’s deepening and widening for transatlantic relations. First,

<sup>3</sup> For a chronological detail of the main documents of USA-EU relationship, see the European External Action Service page on the USA, [http://eeas.europa.eu/us/index\\_en.htm](http://eeas.europa.eu/us/index_en.htm).

these institutional reforms increased the EU's ability to act as an equal partner vis-à-vis the US (Smith 2011) on certain issue areas such as trade, environment and competition. This meant that the EU contributed to strengthening multilateralism in international politics with regards to these issues. That is because, "a divided Europe has no say, but a united Europe has a real opportunity to be a driving force in the sound management of globalization" (Gnesotto 2010: 30). Second, the inclusion of new members into the EU over time led to an increased diversity among the members, with diverging preferences more acutely felt (Smith 2006). For example, the accession of UK with its clear preference for transatlantic ties (George 1998) and increased cooperation with the US greatly influenced EU policies and integration (Howorth and Menon 2009). The 2004 accession of the Central and Eastern European countries were similar in that regard as these countries openly sided with the US on international issues such as the 2003 Iraqi war.

The deepening of integration over time has impacted the EU's role both in building a multipolar world and in its relations with the USA. For example, the integration process enabled the adoption of bilateral diplomatic tools such as summit diplomacy, the most notably with the USA. Since the 1990s, the US and the EU have established a framework for dialogue and cooperation partly in response to the process of European integration and the institutionalization of the EU-US relations slowly evolved since then. The first step in this regard came in 1990 with the Transatlantic Declaration and the EC/EU and US annual summits, signaling the US' acceptance of the EC as an equal partner. This is clearly seen in the Transatlantic Declaration.

"To achieve their common goals, the European Community and its Member States and the United States of America will inform and consult each other on important matters of common interest, both political and economic, with a view to bringing their positions as close as possible, without prejudice to their respective independence."<sup>4</sup>

What is more, the Transatlantic Declaration elevated the European Commission's role in transatlantic relations, which coordinated the EU's representation in the regular meetings between the EU and US officials on almost all areas of joint concern. This meant that the declaration created a Transatlantic Dialogue which became the most important mechanism for EU-US deliberations.

An additional step was taken in 1995 with the New Transatlantic Agenda (NTA), which committed the parties to the overall objectives of promoting societal exchanges, deepening economic relations and strengthening political cooperation (Steffenson 2005). The NTA created a new institutional framework for presidential meetings and spelled out the modalities of cooperation and consultation for technical working groups. One needs to keep in mind that the NTA was agreed upon only after the Maastricht Treaty became operational. The NTA could, therefore, be seen as an outcome of the European integration process on the one hand and the EU's ability to strengthen multilateralism in international politics on the other. At the same time, one could conceptualize both the Transatlantic Declaration and the NTA as attempts by the US and the EU to deal with the increased uncertainty of the post-Cold War period, cementing their already strong relations under NATO with cooperation in other areas (Pollack 2005).

The next step in the institutionalization of transatlantic relations came in 1998 following the path already set forth by the NTA. The EU's unified position as a partner for the US became apparent with the adoption of Transatlantic Economic Partnership (TEP) at the EU-US London summit of 18 May 1998. Most importantly, the EU and the US adopted a plan to be carried out by the US administration and the European Commission for developing the modalities of further cooperation as well as coordination of the parties' respective positions in inter-

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<sup>4</sup> *Transatlantic Declaration on EC-US Relations*, November 1990, [http://eeas.europa.eu/us/index\\_en.htm](http://eeas.europa.eu/us/index_en.htm).

national organizations. The adoption of the NTA and the TEP signaled that European integration had reached such a point that the EU's main executive body, the Commission (rather than member state executives), would act as counterpart to the US, specifically on trade related matters (Elsig 2007). In 1999, a new framework of consultation was established with the launch of the Transatlantic Legislators' Dialogue, involving regular consultations between the members of the European Parliament (EP) and the US Congress. The transatlantic relations, then, were further shaped with the establishment of the Transatlantic Economic Council (TEC) in 2007, charged with coordinating economic cooperation between the two shores of the Atlantic. The increased visibility of the European Union institutions in transatlantic relations and the EU's ability to strengthen multilateralism is summarized by two leading analysts as follows:

"Transatlantic governance is increasingly governance by mixed networks of all [...] types of actors, albeit with a leading intergovernmental role played by the European Commission and U.S. executive." (Pollack and Shaffer 2010: abstract)

Thus, the institutionalization of EU-US relationship throughout the 1990s could be seen as extension of the EU's role in building a multipolar world, as "the EU's multilateral activities are a natural extension of the Union's own example of integration through pooled sovereignty" (Mahncke, Rees and Thompson 2004: 136).

The latest institutional reforms in the European integration process brought about by the Lisbon Treaty carry the potential to shape transatlantic relations further, with the creation of a new institution, the European External Action Service (EEAS), and the new posts of the High Representative (HR) for Foreign Affairs and Security Policy and the President of the European Council (Bendiek 2012). This latter post has been created to effectively take over some of the functions of the rotating presidency of the Union and with the ultimate aim of setting the EU agenda (Tallberg 2003). This position also attests to the centrality of the European Council as the main seat of direction for EU policy. The HR, under the Lisbon Treaty, merges two different positions: the former High Representative for CFSP and the External Relations Commissioner. This post is designed in a such way that there is greater overlap between the Commission and the Council as the High Representative is also the Vice-President of the Commission and the chairperson of the Foreign Affairs Council. The HR also heads the EEAS, which is an autonomous institution.

In spite of all these institutional novelties, the EU still is far from being a fully integrated polity (Puetter 2012). Differences between the member states as well as between member states and EU institutions impact on transatlantic relations in different ways. More importantly, the internal complexities in the integration process impact the EU's ability to play a leadership role in international politics. This was clearly seen in 2010 when US President Barack Obama rejected an invitation to a summit organized by the Spanish EU presidency at the time, based on the formal argument that the presidency no longer represented the EU under the Lisbon Treaty (Kramer 2010). Instead, the US President participated in the EU-US summit in November 2010, which was organized by the new European Council president Herman Van Rompuy. This incident demonstrated that EU member states still try to manipulate the EU institutional framework to suit their own interests, despite the institutional changes that are brought about by the treaties to which they have agreed.

The institutional reforms adopted over time aimed to address precisely that problem. For example, the changes introduced by the Lisbon Treaty mean that the HR and the EEAS negotiate in the name of all EU member states in major international conferences. In addition, in specific areas such as climate change, the European Commission is the main negotiator (Bendiek 2012). The impact this could have on transatlantic relations could echo that of the SEA, since EEC/EU-US summits became possible precisely because the SEA created a single voice for EU members on all matters related to trade (Meunier 2000, 2005). One could see this as a clear illustration of the

EU's leadership capabilities in strengthening multilateralism.

Yet, despite the many institutional reforms adopted over time by the treaties and the European Council decisions, the EU is still characterized by the interplay of the material interests of the member states (Hertz and Leuffen 2011), the greater ability of the most resourceful among them to dictate their wishes, and the attempt by the supranational institutions to garner more powers. If the EU proceeds on the intergovernmental path of integration, then the member states will remain the main actors of policy making with relatively little delegated to EU institutions. This is also partly why the economic crisis in the EU currently has become a political crisis (Underhill 2011). All in all, this does not bode well for the EU's international leadership.

The economic crisis in the EU, with the sovereign debt problems and declining economic growth, is particularly important for the US. Transatlantic economic relations are the strongest in the world,<sup>5</sup> both in terms of their institutional arrangements and in terms of the volume of exchanges. The path of European integration, precisely because it was guided by economic integration, has deeply shaped transatlantic economic relations (Steffenson 2005). A strong, unified Europe undoubtedly strengthens the transatlantic economic ties by offering American firms and investors a large, open market with which to trade and in which to invest. At the same time, since its ultimate goal is to make war materially impossible on the European continent, the European integration process influences the security dimension of transatlantic relations (Peterson and Steffenson 2009). In a related manner, one could see the role of the US as a sort of regulator of European integration from the end of World War II to the Lisbon Treaty, offering a generally high degree of support to the process (Peterson 2004). The EU's role in strengthening multilateralism through its relations with the US is summarized by the former Commissioner for External Relations Benita Ferrero-Waldner in 2005 as: "In a world of global threats and challenges, global markets and global media, our security and prosperity increasingly depend on an effective multilateral system" (Ferrero-Waldner 2005).

In short, it is the interplay between the member states and the supranational institutions in the European integration process that impacts transatlantic relations, particularly visible in two different areas, first transatlantic economic relations, particularly trade policy, and second, foreign, security and defence cooperation. Complexities in the integration process then are reflected onto transatlantic relations, with some issue areas such as trade managed collectively by the EU institutions, whereas some issues areas such as security still subject to intergovernmental bargaining (Yost 2002, Steinberg 2003, Smith 2006). The EU's evolution as a foreign policy actor emerges as an issue area where the EU's leadership in both strengthening multilateralism and through its relations with the US remain limited, as is addressed in the next section.

## 2. The Evolution of the EU as a Foreign Policy Actor and Transatlantic Relations

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The European integration process has been the slowest in the foreign and security policy domain. Failed early attempts, such as the European Defence Community (EDC) sunk by France's opposition in 1954, showed long time ago that policies that are mostly associated with the symbols of statehood are those in which integration is hardest to agree upon (Soetendorp, 1999). The EU's evolution as a foreign policy actor emerges as a critical factor in its leadership ability in international politics, specifically through its relations with the US. That said, the EU over time has nonetheless expanded its position in the international system and "forged a relationship with a

<sup>5</sup> For further empirical data see Green Cowles and Egan 2012.



great number of multilateral organisations and became a party, usually with the member states, to a huge number of international agreements: 249 multilateral treaties and 649 bilateral treaties are recorded in the European Commission's data base of treaties" (Emerson et al. 2011:3). This brings forth the question as to what extent the EU has become a foreign policy actor.

The EU's foreign policy could be seen as an area where cooperation is shaped and determined by the member states' interests (Hill 2003; Bickerton 2011); alternatively, the EU could be seen as a federal multinational and supranational state with an overarching foreign policy making (Gross and Juncos 2011, Sjursen 2011a); and last, the EU's foreign policy could be seen as a unique mix of supranational and intergovernmental processes (Manners 2010, Smith 2011). These also emerge as different trajectories of the European integration process, and are connected to the possible evolution of the EU's foreign policy coordination. Similarly, it is also possible to see the EU's foreign policy consisting of three different types of 'subsystems'; Community foreign policy, 'Union foreign policy' and 'National foreign policy' (White 2004). 'Community foreign policy' covers trade and development relations with third parties, constituting the foreign economic dimension of European foreign policy. 'Union foreign policy' consists of the coordination of the foreign policies of member states in a process of consensus building. Finally, 'National foreign policy' refers to the separate foreign policies of member states (White 2004: 54-55). The evolution of the EU's role as a foreign policy actor takes into account all these different trajectories.

While European integration in security and defence matters remains intergovernmental (Tonra and Christiansen 2004) (although we also need to keep in mind that European foreign policy - defined in a broad sense - extends to trade policy as well, so the discussion in the following section sheds light on European foreign policy), this has not prevented EU member states from taking bold steps also in this field (Hill 2003). These comprise the adoption of the CFSP in 1992, the ESDP (later re-christened CSDP) in 1999, as well as the creation of a European Defence Agency (EDA) and the establishment of the Rapid Reaction Force (RRF) and the European Battle Groups, as well as the EEAS and the new HR post. The impact of these measures has been limited, however (Smith 2011). The RRF, for instance, remains a virtual entity and the Battle Groups, albeit theoretically operational, have never been deployed, not even in CSDP military missions. These, in turn, have been of a modest nature, and when the complexity of the tasks has warranted greater numbers as well as planning capability, such as in Bosnia, the EU has largely relied on NATO's assets (Mahncke, Rees and Thompson 2004).

The evolution of the EU as a foreign policy actor received a significant boost with the Lisbon Treaty which has introduced some further novelties, aimed at both remedying the flaws in the institutional and capability structure of the CSDP and providing willing and able member states to bring defence integration forward in smaller groups through the 'permanent structured cooperation' mechanism. Yet, permanent structured cooperation has never been made use of until now, and there are some member states such as the UK that discuss the possibility of a withdrawal from the EDA. For all resolve shown by Americans and Europeans to make EU-NATO cooperation work, relations between the two organizations remain problematic.<sup>6</sup> In part, this is a reflection of the lack of a strong consensus within the EU about how far EU defence integration should go, and how autonomous from NATO it should be. When it comes to foreign and security policy, the reflex in the US is to seek cooperation with European countries on a bilateral basis or within NATO (Peterson and Steffenson 2009, Howorth and Menon 2009), as the under-resourced, under-equipped and unanimity-based CSDP offers little incentives to connect with (Thomas 2012).

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<sup>6</sup> A major obstacle in further cooperation between NATO and the EU is the complications arising from the Cyprus problem.

The CSDP has undoubtedly been as lofty in ambition as modest in achievements. Yet, dismissing it altogether would be a mistake. In fact, the CSDP has given an important contribution both to the EU's ability to act on the international stage and to the integration process. Even though it has always been an intergovernmental policy, the CSDP has elements of supranational control over EU foreign policy even before the Lisbon Treaty entered into force. Specifically, the Commission controls the budget and the tools to implement the CFSP, and even if it lacks the power of initiative in this domain, it retains implementation and coordination functions (Puetter 2012, Sjursen 2011b).

The EU's integration in foreign, security and defence policies remains one of the most contentious areas of integration (Tonra 2011, Sjursen 2011a). It seems almost certain that despite the ever deepening security and foreign policy integration on paper, there are still question marks over the EU's role as a foreign policy actor in the traditional sense (Hill 2003, Tocci 2007). The main complexities stem from the diverging positions of member states on further integration in this issue area as well as the capabilities/expectations gap (Toje 2008). It would be expected that the EU-level institutions' main responsibility would be representing the Union in global fora. Yet, the EU's single voice in international institutions such as the UN (Smith 2006) is still problematic as some EU members such as the UK and France hold on to symbols of their power status, notably their permanent seat - with the associated veto right - in the UN Security Council. This in turn limits the EU's ability to act as a leader in strengthening multilateralism as well as in its relations with the US.

The current crossroads is critical for the emergence of a collective 'European interest' around which all member states could rally. The single voice and collective European interest is clearly seen with the EU's full membership in the G20 and the G8 where it is co-represented by the Presidents of the European Commission and European Council. The EU's presence in the G20 is such that the President of the European Council tends to present the EU in foreign policy matters and the European Commission President on matters relating to the EC competence. In the G8 summit in May 2012 and the G20 summit in June 2012, the EU representatives put together a joint EU position for further economic cooperation at the global level and signaled the EU's commitment to overcome global economic challenges (Sherwell 2012), clearly signaling a leadership role for the EU in promoting multilateralism and multipolarity. Since 2010, prior to G20 summits, the EU officials try to coordinate both within the EU institutions and member states and formulate a common EU position. This in turn increases the EU's visibility as a leader in promoting multilateralism. A similar path could be foreseen for the foreign, security and defence policies which would then transform the EU into a credible partner for the US in international security matters as well. Yet, the past experiences in this regard have not been promising.

The turning point for American and European security relations came with the US-led intervention in Iraq in 2003. The use of force against Iraq led to new debates about international norms, particularly the legitimacy of pre-emptive attacks. While the debate was commonly presented as an exchange between the US and Europe (Stevenson 2002), in fact it was very much an internal EU debate (Steinberg 2003). The UK, Spain, Italy, Portugal and Denmark, as well as the then candidate countries from Central and Eastern Europe, sided with the US whereas France, Germany, Belgium and Luxembourg, along with a significant majority of the EU's public, were very critical of the intervention. The intra-EU split demonstrated that security and defence cooperation in the European Union was still fragile and could crumble down at the first major crisis (Smith 2011). Even though, the split within the EU originated from disagreement over the intervention in Iraq, the lack of cohesion among the EU members on a major international event highlighted the role of divergent member states' preferences on foreign policy, and specifically on military cooperation with the US (Hill 2003, Howorth and Menon 2009). These internal divisions limited the EU's leadership abilities in international politics (Hix 2008).

From 2003 on, the EU integration process deepened to create new institutions, and the Union found itself confronted with significant common foreign policy issues, ranging from the 2009 Copenhagen summit on climate change (Szarka 2012), to the 2010 Arab Spring. Yet, a particularly good and specific illustration of the EU's lack of coordinated response in foreign and security policy issues could be found in the 2011 Libyan crisis (Hollis 2012).

The Libya crisis erupted when the long-standing Libyan leader, Colonel Muammar Gaddafi, began to use force against rebels protesting against his dictatorial rule. The UN Security Council imposed sanctions against Libya, while an EU arms embargo was also adopted. In March 2011, the Arab League asked for a no-fly zone over Libya, which the UN Security Council authorized that same month, also giving the green light to the use of force (but not the deployment of troops on the ground) with the aim of protecting civilians. As had been the case with Iraq, EU member states failed again to forge a united front, with Germany going as far as to abstain from voting in favour of the Libya resolution put forward by its fellow EU partners the UK and France within the UNSC. Germany's abstention led some commentators to argue that "Germany has not only discredited itself as a reliable pillar of global security policy but it has also put paid to the fiction of an EU foreign policy on an issue of major global importance" (Presseurop 2011).

The UK, France and the US formed an *ad hoc* coalition which only at a later stage, upon insistence by the US, Italy, the UK and other countries and against France's will, evolved into a NATO-led operation against Gaddafi's loyalists. Even so, only the UK, France, Belgium, Italy, Denmark and Norway, took active part in the air strikes. The US provided critical support but refrained from occupying the driver's seat in a Western military intervention abroad for the first time since the end of the Cold War.

France was undoubtedly the main force behind the Libyan intervention. However, the French also made a number of significant diplomatic mistakes in the attempt to secure their lead role. For example, Claude Guéant, the French interior minister who was then President Nicolas Sarkozy's chief adviser, outraged the Muslim world by stating that the French president was "leading a crusade" to stop Gaddafi massacring Libyans (Traynor 2011). The French role in Libya caused frictions also with the Italians. Italian Prime Minister Silvio Berlusconi was initially opposed to an armed intervention in Libya (Pop 2011) out of concern of losing Italy's privileged relationship with Gaddafi to France's advantage. Once the operation was agreed upon, however, the Italians decided that it was better for them to go along with it rather than siding with the likes of Germany. Germany, in turn, tried to make up for its loss of credibility with its allies. The German Chancellor, Angela Merkel, eventually expressed "the deepest respect for NATO's involvement" (DPA and AFP 2011), making plain however that Germany would go no farther than the adoption of political and economic sanctions. However, her declarations did little to hide the inability of the EU to act as a credible strategic actor even in its nearest abroad. The very fact that NATO (rather than CSDP) took the lead in Libya attests to this. However, the initial bickering among the EU members over the modalities of the action to be taken against Libya and the outright rejection by Germany in the UN Security Council illustrated the limits of integration in foreign and security policies.

The first observation over the Libyan crisis concerns the incoherence among the European states over their proper response (Hollis 2012, Thomas 2012). This was the moment when different preferences between the EU players became visible with respect to their preferred courses of action in the Middle East, and Libya illustrated the divergence among the EU members over common security action, as well as the limited role of the EU institutions, including the High Representative. The British position on Libya stressed the national interest of the country, rather than the European collective interest. British Prime Minister David Cameron declared the failure to act risked Libya turning again into "a pariah state festering on Europe's border, a source of instability, exporting terror beyond her borders. [...] So I am clear: taking action in Libya, together with our partners, is clearly in

our national interest” (Mulholland 2011). The EU member states’ emphasis on national self-interest to justify use of force, instead of a collective European interest is, nonetheless, telling. Part of this perspective could also be tied to the British vision towards the CSDP, as the UK is increasingly disillusioned with it and the EDA. When the Conservatives came to power in the UK in 2010, they began to decrease their involvement with the EDA, with 2012 indicated as a possible withdrawal date. Interestingly,

“within Europe, the British government only wants to work with France and to a lesser extent Denmark, Estonia, Norway, Turkey and the Netherlands. The former secretary of state for defence, Liam Fox, has repeatedly stated that these are the only European countries Britain now considers as willing to fight and invest in defence. In addition, the UK has a strong preference for working with them bilaterally, having concluded that large multinational initiatives are too costly and prone to delays”. (O’Donnell 2011: 3)

If the UK is having reservations about the CSDP, France, its partner in most EU-led missions, is also going through second thoughts, as former French foreign minister Alain Juppé made painfully clear: “The common security and defence policy of Europe? It is dead” (Garton Ash 2011). Of course, this might not be the case. But the French declaration is important to illustrate the exhaustion in some member states over security and defence integration.

Over the Libya intervention, we seem to have at least some empirical verification of the hypothesis that no truly EU foreign policy will ever emerge if EU member states continue to anchor their foreign policy choices to a national interest-based perspective only. This means then when divergences between the member states over specific issues - ranging from security to trade - are reflected onto their bilateral relations with the US, the transatlantic partnership suffers. The internal bickering among the EU members sheds light on the relative lack of integration of European foreign and security policies, thereby decreasing the value of the EU as a security partner in transatlantic relations. On the other hand, the lack of cohesion among the EU members over collective decisions such as climate change or the Arab Spring limited the EU’s leadership ability in strengthening multilateralism in international politics.

Yet, it is still possible that the future European foreign policy is not shaped by national interests but by an EU-level collective interest that transcends the material interests of the individual actors (Thomas 2012). The institutional changes brought by the Lisbon Treaty over EU’s global role are steps along a more integrationist pattern. It is possible to see an amalgam of the different trajectories, where in certain areas such as human rights and human security, the EU institutions would take the lead and formulate a common position that the member states would adhere to. The EU’s position on human rights in the United Nations as analyzed by Smith (2006) is a case in point. In this route, the member states would still retain the final say on the nature of the transatlantic relationship but the EU institutions would frame the general pattern of interaction and perform certain core tasks. This also fits into the argument that the likelihood of EU members’ ability to ratify multilateral treaties are higher than non-EU members due to their institutional commitments as a group of scholars has recently demonstrated (Elsig, Milewicz and Stürchler 2011). This in turn would empower the EU’s capacity in strengthening multilateralism in international politics.

In line with our three possible hypotheses, foreign policy coordination within the EU could also signify that the EU-US relationship could be seen as an enduring relationship that also adapts to changing international conditions and transforms itself over time. The integration process proceeded in a relatively slower fashion in foreign policy making, especially in common security and defence policies, thereby the EU’s role in constructing a multipolar world can be seen as less than satisfactory. In short, due to internal complexities in the evolution of the

EU as a foreign policy actor, the EU's ability to act as a leader in strengthening multilateralism has been limited, and this is reflected in its relations with the US. Yet, the EU's role in building a multilateral and multipolar world has been more visible in transatlantic economic relations as addressed in the next section.

### 3. European Integration and Transatlantic Economic Relations

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For decades, if not centuries, the West has constituted the most powerful economic bloc on the planet. Today, the combined economies of the US and the EU represent roughly around 40 percent of the world's GDP (IMF 2012) and they are each other's most important trade and investment partners. One could also point out that the EU-US economic relationship is 97 percent dispute-free. It comes as no surprise then that the two are largely responsible for shaping global economic interactions and governance structures as argued by Sbragia (2010). This is also reflected by Jacoby and Meunier (2010) in their claim that the EU's economic integration has enabled it to 'manage globalization' by empowering international institutions. The US and EU countries (provided they act in unison) are still the most influential members of the main institutions of the global economy, the IMF, the World Bank and the WTO.

The most impressive achievements of European integration in the field of economics are the creation of the Single Market with the 1986 Single European Act and the adoption of a single currency, the euro, in 1999. These have also turned out to be the areas of European integration that have most significantly impacted both global governance and transatlantic relations. The 1986 Single European Act was a milestone in European economic integration (Damro 2012). In the 1980s at the time EEC member states were experiencing a downturn. Not only did the SEA boost the economies of the EEC member states, it also enabled the EEC (after Maastricht simply European Community, EC) to emerge as a single player in trade negotiations. In particular, the EC partnered with the US in the Uruguay Round, contributing to the creation of the WTO in 1995 (Meunier and Nicolaïdis 2006).

Specifically, trade has emerged as the one area where European integration is most visibly felt in the transatlantic relationship (Elsig 2007). The EU's trade policy establishes common rules, including common custom tariffs, a common import and export regime, and uniform trade liberalization and protection measures. The common trade policy of the EU requires member states to harmonize and decide common measures for their external trade policies in order to achieve the targets for the EU's internal market (Meunier 2000).

As the EU has expanded its legislative reach in trade and internal market, it has acquired responsibility for negotiating with third parties and being represented in international forums. As a result, the EU and its member states engage in a complex internal negotiating process before they participate in any international negotiation. This process takes place in the Council, through a specialized body, the so-called Article 133 Committee, preparing its decisions on trade. European trade integration received a new boost with the Lisbon Treaty, which has given the EP additional jurisdiction over trade matters. Trade agreements authorized by the European Council and negotiated by the European Commission (which retains the right to propose and draft EU legislation) now require the approval of both Council and the EP before entering into force. The Parliament is now a new force to be reckoned with in trade-related issues. As a result, the EU integration in the economic field has gradually empowered EU institutions with ever more incisive instruments to deal with the US. As pointed out by Sophie Meunier:

"The fact that the EU speaks with a 'single voice' in trade has enabled it to affect the distributional outcomes of international trade negotiations and shape the global political economy. Indeed, the EU has exerted a particularly liberalizing influence

on the international trading of services and has actively contributed to the development of institutional rules within the World Trade Organisation (WTO) designed to prevent unilateralism. In this case, international bargaining power has been a positive externality of the pooling of the diverse European national positions on trade under a single institutional umbrella." (Meunier 2005: 2)

This, in turn, increases the relative power of the Union in international trade negotiations. The EU's remarkable power in international trade arrangements, however, has also resulted in clashes with the US, some of them of a bitter nature, within the WTO. As such:

"The EU is currently the world's largest trader and one of the main players involved in negotiating trade agreements as part of the ongoing Doha Development Round under the WTO. This provides opportunities for further transatlantic trade conflicts, as do the numerous EU-U.S. disputes under consideration at the WTO, such as those on Genetically Modified Organisms and on tax breaks on exports." (Meunier 2005: 4)<sup>7</sup>

It is the EU's presence in the WTO that one can pinpoint as a critical illustration of the impact of European integration on transatlantic relations, as well as the EU's impact on strengthening multilateralism and multipolarity. Yet, this was not the only consequence of the great leap forward in economic integration brought about by the SEA and the Maastricht Treaty.

Throughout the six decades since the end of the Second World War, the US and Europe prospered together in an unprecedented fashion. However, they now face challenges that might obstruct the path of shared prosperity they have been following for so long. The 2008-09 financial crisis and the subsequent debt crisis in some EU member states cast a long shadow over the future of transatlantic economic relations. Furthermore, declining economic growth rates and static or negative population growth in Europe do not bode well for the continued pre-eminence of the EU in global economics. This would represent a major watershed in contemporary world history, given that the EU is still the world's largest economy, with a combined GDP of its member states worth \$18 trillion annually.

If the advancement in European integration in the 1990s resulted in the EU's greater bargaining power *vis-à-vis* the US, it would be rational to expect that with decreasing momentum in European integration, there would be an inevitable downturn in transatlantic relations. When one looks at the main dynamics of interaction between the EU and the US, two main factors emerge accounting for their ability to shape global governance: their joint share in global economy and their combined control of the international institutions. Yet, there are drastic changes in both. In 2000, the member states of the Organization for Economic Cooperation and Development (OECD), which brings together the advanced economies of the West, accounted for 55 percent of the global wealth, and the Asian countries only about 24 percent. By 2025, the OECD countries share will go down to 40 percent and Asian countries will have a share of around 38 percent, and the balances will continue to tilt towards east. The demographic shifts also attest to that, as by 2025 around 45-50 percent of the world's population is predicted to be Asian.

This global transformation poses three pressing issues for the future of transatlantic relations. From an economic perspective, it is essential to assess the implications of the relative economic decline in Europe-US and their share of global welfare, while from a political perspective, since the US and the EU were the main actors behind international institutions, it remains to be seen whether the US' and EU's relative decline in economic wealth

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<sup>7</sup> It should be noted that by early 2012, it appeared that the Doha Round was dormant, if not dead altogether.

and population will translate into a loss of political clout. Furthermore, the declining economic performance of the EU members since 2008 and the current crisis in the eurozone could make the US turn towards the Pacific Rim countries, particularly those on the Asian side of it, which have been experiencing an economic boom for years.

If the economic performance of EU members continues to decline and the eurozone debt crisis deepens, the EU-US economic relationship might also loosen. Alternatively, the EU-US economic partnership might also deepen with the adoption of such measures as a free trade area in order to deal with the challenges posed by the global economic crisis. The fate of their partnership also rests with the EU's ability to mend internal strife among its members and act as a unified bloc once again. The economic side of the transatlantic relationship seems then to indicate that their relationship could be seen as an 'enduring partnership', thereby confirming one of the key propositions for the Transworld project.

## Conclusion

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This paper argues that the European integration process, with its institutional reforms and deepening over time, has played a significant role in transatlantic relations. The EU's gradual evolution into a *sui generis* polity which incorporates state like characteristics with intergovernmental brakes ultimately means that in certain areas, the EU is able to act with a unified voice; in other areas, it can only produce a minimum common denominator among the many diverging preferences of its member states. The EU-US relationship has been greatly affected by this amalgam of supranational institutions and intergovernmental bargaining. The EU's role in international politics, specifically in such institutions as the WTO, G8 and G20, has been critical in strengthening multilateralism. At the same time, the EU through its relations with the US enabled the emergence of a multipolar international system.

The most important aspect of European integration which has impacted the transatlantic relationship is precisely the pattern of transfer of competencies to the supranational bodies of the Union. The transfer of competencies and pooling of sovereignty has been the strongest in the areas of economic integration, particularly trade. The European economic and trade integration has proceeded far enough for the EU to be able to interact with the US on an equal footing. This has become a critical feature of transatlantic relations, specifically in such institutions as the WTO. This enabled the EU to acquire the ability to foster multilateralism, particularly by building a capacity based on the cumulative strength of its 27 members. At the same time, since the EU became the world's largest internal market, it acquired the capability to influence global economic dynamics, in particular through its relations with the USA. The EU-USA acted together in tandem with global economic issues and in cooperation in the international financial institutions.

On the other hand, EU-US relations have not been trouble-free, especially with regard to foreign policy and security issues. The nadir in the transatlantic relations came with the 2003 Iraqi war, where the US seemed to emerge as a unilateral actor and the EU was paralyzed by internal disagreement over whether to join the invasion. The security dimension of transatlantic relations has been mostly shaped by NATO. The uncertain environment of the post-Cold War period led to the emergence of question marks with regards to NATO and the emergence of a European only vision for security within the EU. These developments have been particularly important in shaping transatlantic relations. Thus, when European integration spilled over to the field of foreign, security and defence policy, the internal complexities of the EU's role as a global actor and positions of EU mem-

ber states have inevitably created new dilemmas for the Union. This is why the future of transatlantic relations partly depends on the EU's ability to become an accountable foreign policy actor as well as adopt the military capabilities and common decision-making procedures needed for an effective leadership.

In short, it seems that the different patterns of integration in different policy areas fit the multi-speed Europe arguments. This in turn provides us with empirical verification for the EU's ability to strengthen multilateralism in international politics through its integration process, but it also lends credibility to the proposition that the EU and the US relationship is evolving along an enduring partnership scenario.



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## THE PROJECT

In an era of global flux, emerging powers and growing interconnectedness, transatlantic relations appear to have lost their bearings. As the international system fragments into different constellations of state and non-state powers across different policy domains, the US and the EU can no longer claim exclusive leadership in global governance. Traditional paradigms to understand the transatlantic relationship are thus wanting. A new approach is needed to pinpoint the direction transatlantic relations are taking. TRANSWORLD provides such an approach by a) ascertaining, differentiating among four policy domains (economic, security, environment, and human rights/democracy), whether transatlantic relations are drifting apart, adapting along an ad hoc cooperation-based pattern, or evolving into a different but resilient special partnership; b) assessing the role of a re-defined transatlantic relationship in the global governance architecture; c) providing tested policy recommendations on how the US and the EU could best cooperate to enhance the viability, effectiveness, and accountability of governance structures.

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