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European Integration and the Development of a European External Energy Policy in Eurasia

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1. Introduction

Straightforward questions sometimes help to focus one's attention and to make sense of complex issues rooted in, and somehow obscured by, a long history. Such was the case of Henry Kissinger's question regarding the phone number that one would need to dial to "speak with Europe". The question succinctly illuminated not only what Europe was still missing to be a true Union, as it now calls itself, but also what makes European integration different from all other experiences of economic, political or military integration. Three decades later, the Lisbon Treaty, having entered into force on 1 December 2009, has just made it possible for Europe to provide Kissinger's successors with a number to dial—namely that of the High Representative for external affairs. Yet, while interdependence² has never been so high, the last decade has seen a reaffirmation of sovereignties that contrasts with Europe's deeper integration. It is still far from clear how Europe fits in a world order that one can describe as a society of interdependent sovereign states (SISS).

With energy security being a growing concern, the modern equivalent of Kissinger's straightforward question has been asked most succinctly as "Can Europe speak with one voice to Putin?"³ Interestingly, the question captures as much about the current state of the world order as about the state of European integration. Its reference to "Putin" brings to light the growing role of emerging countries, the lack of a common definition of democracy shared both by the West and the "BRICs"⁴, the lack of a common transatlantic vision for energy security, the difficulty to be "from Venus" while others are "from Mars"⁵, and other features of the SISS. The "single voice" part of the question refers to a long series of integration thresholds that Europe is endeavoring—or debating—to cross. Implicitly, the question acknowledges that more than half a century of step-by-step integration has produced achievements well beyond those of any other region or grouping of states; and yet it brings to light that neither the political nature of Europe nor its role in the evolving world order are clarified yet. What Europe perceives as the quasi-failure of the Copenhagen Climate Summit of December 2009 in fact shows that the EU's political culture of pooled sovereignty does not create a surplus of 'soft power' for Europe. It is Machiavelli who prevails, rather than Kant.

The first part of our inquiry will therefore be about the deeper nature of the often poorly understood European integration process, concluding with some views as to the possible resolution of the "constructive ambiguity" that has served this process well in the past

² Robert O. Keohane and Joseph S. Nye, *Power and Interdependence*, Third edition, Pearson Education, 2001.

³ See for instance the article by Polish Prime Minister Donald Tusk "Europe must speak with one voice to Russia", *Financial Times*, February 17th 2008. Also see "Can Europe respond with one voice?", *The Economist*, August 13th 2008.
http://www.economist.com/blogs/certainideasofeurope/2008/08/can_europe_respond_with_one_voice

⁴ Jim O'Neill, "Building Better Global Economic BRICs," Goldman Sachs Global Economics Paper No. 66, November 30th 2001.

⁵ Robert Kagan, *Paradise and Power: America and Europe in the New World Order*, Alfred A. Knopf, New York, 2003 and *The Return of History and the End of Dreams*, Alfred A. Knopf, New York, 2008.

but is now reaching its limits. The second part will explore the limits of the common foreign policy that the Lisbon treaty calls for at a time when international governance can be summarized as a G20+G2 one, namely an emerging multilateralism without proper multilateral institutions combined with a weakening U.S. that, in turn, gives China some veto power over part of what used to be at heart an Atlantic agenda. Americans themselves are at pains to comprehend that the “unilateral moment” has come to a premature close⁶, and implications for the trilateral relations between them, Europe and China are still to be clearly articulated. We conclude with the search now underway for a European external energy policy as an essential objective that, we suggest, brings together all dimensions of the “speaking with a single voice” nexus: the definition of what “Europe” is; of whether Europe must be content with some “common foreign policy” or whether it can design a single foreign policy that does not depend on consensus; and the role of energy, to use the phrase of Jacques de Jong and Coby van der Linde⁷, as “the Litmus test” of EU integration or disintegration.

⁶ Charles Krauthammer, “The Unipolar Moment”, *Foreign Affairs* 70, no. 1 (1990/1991): pp. 23-33.

⁷ Jacques de Jong and Coby van der Linde, “EU Energy Policy in a Supply-constrained World”, Swedish Institute for European Policy Studies, European Series, p. 3.

2. Europe as a Political Entity: The Brussels' Agenda and the People's Agenda

2.1 Success without Victory: The European Paradox

European affairs are in a state of confusion—or at least such is the way Europe presents itself to most readers of the national and international press beyond the city of Brussels. In the wake of the June 2009 European Parliament elections, eminent commentators proclaimed that “*The EU [is] falling flat on the global stage*” (John Vinocur), that “*it is time to put Europe on hold*” (Samuel Brittan) and that the “*EU crisis exposes rifts in a grand experiment*” (Steven Erlanger)⁸. Europe's reactions to the worldwide economic and financial crisis have similarly been proclaimed to be inadequate, with EU institutions largely absent and key measures taken at the national level⁹, leading to the devastating judgment that “[t]he global economic crisis has made it clear that Europe remains less than the sum of its parts.”¹⁰ True, the sweeping success of the ‘Yes’ vote in the Irish referendum of 2 October 2009 led to a set of more positive comments on the resilience of the European integration process. The adoption of the Lisbon Treaty even led to a spat of unusually positive articles about Europe. Yet, in line with the past experience, it took only a few weeks before the press and most commentators found further proof that, at the end of the day, Europe was still falling short of its ambitions, if not flat on its face. In this case, the choice of Herman Van Rompuy and Lady Catherine Ashton as, respectively, President and High Representative of the Union triggered the usual firestorm of condescending headlines such as “*A pitiful exercise in Euro-Minimalism*” (Financial Times), “*Europe is risking irrelevance as the world moves on*” (Tony Barber), “*Was it worth it? Eight years of haggling that gave us Van Rompuy and Ashton*” (George Parker and Joshua Chaffin)¹¹. These claims came along with more of the usual EU coverage that combines bursts of high expectations of what Europe should do with a torrent of disillusion about what can actually be expected from Brussels.

One important element in such judgments is the prevalent view that Europe, and even the smaller group of member countries at its core, are lacking what John Vinocur calls “a common vision”¹². As a result, Europe is considered to fail to “speak with one voice” and to act with the determination and effectiveness that the present unforgiving international environment calls for. Interestingly, the fact that it can now be expected to “speak with one voice” is a tribute to the depth of integration that Europe has achieved.

⁸ John Vinocur, “E.U falling flat on the global stage”, *International Herald Tribune*, July 7th 2009 p. 2; Samuel Brittan, “It is time to put Europe on hold”, *Financial Times*, June 12th 2009, p. 9; Steven Erlanger, “E.U. crisis rifts in a grand experiment”, *International Herald Tribune*, June 9th 2009, p. 1.

⁹ See for instance the debate initiated by Jean Pisani-Ferry and other economists on the lack of Europe-wide testing of bank resilience (Jean Pisani-Ferry, “Conseils aux eurodéputés”, *Le Monde*, Cahier Economie, June 10, 2009, p. 1.

¹⁰ Steven Erlanger, “Economic Crisis Pits the European Union Against Its Members”, *The New York Times*, June 20th, 2009, p. 5.

¹¹ *Financial Times*, November 21/22, 2009, p. 3, 6.

¹² John Vinocur, “A joint vision for Europe? Not likely”, *New York Times*, October 19th, 2009.

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Indeed, despite the sweeping negative judgments, Europe has not failed in the present decade as Europe did fail in Yugoslavia in the previous decade. As we write, Europe seems to be emerging from the financial crisis faster than the U.S., with the supposedly rigid ‘old Europe’ countries doing better than the UK, Spain and many much-acclaimed ‘new Europe’ countries. The G20 meetings of 2008 and 2009 have seen Europe play a leadership role, with London, Paris and Berlin advocating strikingly similar policies to deal with financial capitalism excesses. Against all odds, and notwithstanding some French chest-beating, the financial self-serving hubris was denounced in stronger terms in London than in Paris¹³, with policies adopted in London becoming a model for the continent. Leaving aside Czech President Klaus’ very personal comparison of the EU rule to that of the Soviet Union, the new member countries of the EU at 27 now assume their full role in a Union from which they have already benefited immensely, as the Polish President of the EU Parliament can testify. The European Constitution that had been pronounced dead just four years ago has been adopted in all but name via the Lisbon Treaty—with comments on the “*eight years of haggling*” merely being an example of how little credit the EU gets for its capacity to overcome complex political deadlocks, which involved the transfer of sovereignty in no less than fifty new policy domains. The appetite of neighboring countries to join the Union has increased rather than decreased, with countries as diverse as Iceland, Croatia, Ukraine, Turkey and Albania placing their hopes in EU membership. But doubts regarding the European project are expressed from all quarters, and what would define success is not clear. As it continues to attract new members and to perfect its internal organization, Europe is at pains to explain what its objectives are. The view expressed by EU Commission’s President Barroso that “*the EU knows where it wants to go*”¹⁴ is reassuring. Yet, the directions that Barroso describes—“*reinvigorat[ing] our inclusive social market economies*” and “*becom[ing] a low-carbon economy*” are open to so many interpretations, especially on the former point, that the path ahead appears to be a maze rather than the yellow-brick-road to successful integration.

All countries face complex challenges that make it difficult to articulate clear policy directions—witness President Obama’s defense of the ‘just war’ in his December 2009 Nobel Peace Prize acceptance speech¹⁵. Yet, unlike the U.S. or China, and unlike its own member states, Europe, for all its success, is at a disadvantage in creating political simplicity from a sea of economic and geopolitical complexity.

If left unaddressed, the ‘so what?’ question that has accompanied Europe’s achievements can be a damning one. Compared to other powers, Europe lacks the immediacy of identification with powerful symbols, belongings and existential objectives from which to derive the instinctive sense of direction that inspires U.S. or Chinese diplomacy. Hence the fundamental ambivalence in the judgments about Europe as stated above.

¹³ On the “*swollen financial sector*”, on “*excessive [bankers’] pay*”, on why “*the City had grown beyond a socially reasonable size*”, and on the need for tighter supervision, see Lord Turner of Ecchinswell, chairman of the Financial Services Authority (FSA) in discussion published by *Prospect Magazine* in August 2009. <http://www.prospectmagazine.co.uk/2009/08/how-to-tame-global-finance/>.

¹⁴ Jose Manuel Barroso, “Beyond the Crisis”, *The World in 2010*, *The Economist*, December 2009, p. 42.

¹⁵ http://article.wn.com/view/2009/12/10/Full_text_of_Obamas_Nobel_Peace_Prize_speech/.

Europe is seen as addressing one concrete issue after another without clarifying what deeper purpose such successes are serving beyond the motherhood of peace on earth and the apple pie of prosperity. This is true in the internal political order, as the discrepancy is growing between what Europe represents in the daily life of her *de facto* citizens and the far more limited—sometimes minuscule—space it occupies in their minds and hearts. This is true also in international arenas such as the G20, the UN or the UNFCCC. While Europe works toward an ambitious and comprehensive vision of the twenty first century’s society of states, few states beyond Europe seem inclined to engage in the joint management of interdependence, as that challenges national sovereignty—and not even in support of planetary objectives.

2.2 Europe, the Sum and the Parts

Is Europe more or less than the sum of its parts? Only if they agree that the answer is ‘Yes’ can the EU member states and the Europeans accept pooling national sovereignties as being legitimate. Present and potential EU member states have clearly made a thorough cost-benefit analysis: why on earth would, for instance, the euro-skeptic Iceland suddenly offer to submit to Europe’s ‘bureaucratic rules’ and loosen its control over its own fisheries if it did not see some merit in becoming part of the “European sum”? How can *The Economist* routinely ridicule Europe for its failures and lack of a sense of direction, only to present accession to the EU as the salvation for whatever country in Eurasia happens to be in need of its own sense of direction?¹⁶ In contrast, ordinary citizens need more than Metternich’s arithmetic to find a European order legitimate. In this respect, the citizens’ answer is positive and yet, still ambiguous: the Irish are not alone in oscillating between instincts still grounded—indeed sometimes locked-in—within national cultures and a rational calculus informed by the European sum. It is customary to blame this hesitation, this lack of immediate identification with Europe, on the “elitist” nature of the European integration process. Yet, this is done usually without considering that the alternative, a popular approach, must be expressed in the language of daily symbols and references.

From the local soccer team to the national flag and anthem, a few iconic symbols help citizens of a given country relate, instinctively, to the community of which they form a part. Europe, in this respect, has achieved only limited visibility. European passports now look alike and the European flag is displayed on most official buildings together with the national flag (except the Czech presidential palace, of course). Yet there are no European teams at the Olympics, no European anthem, no European stamp. From the 1958 Treaty of Rome to the plethora of Treaties and enlargements dates since then, one would be hard-pressed to identify a European *Cinco de Mayo* or Fourth of July. As for the euro bank notes, a major symbol of European identification in their own right, they are probably among the most uninspiring ever issued, featuring bridges and monuments that smack of top-down bureaucratic connotations. Could one therefore think of an icon that

¹⁶ See for instance, “The World in 2009”, *The Economist*, November 19, 2008.

Europe could rally around, from the polar circle to Gibraltar, as Americans rally around the Stars and Stripes or the British around their God Save the Queen? With no 'European hero' that all nations would equally revere, let us stray from analytics and wonder what emblematic creature could for instance grace the euro bank notes. Consider the following: the eagle is the national emblem of the U.S. and of Poland, the lion that of Finland, the bear is widely connected to Russia, for better or worse Asterix and the French associate with the rooster, Quetzalcoatl's snake-shaped deity resonates with Mexicans, etc. Forced to pick a European equivalent, it would seem that the emblematic creature that could best capture how EU citizens relate to the Union is ... the Cheshire cat.

As described in *Alice in Wonderland*¹⁷, the Cheshire cat is most of the time nowhere to be seen although its grin never vanishes. Similarly, the smile of Europe, whether friendly or bureaucratically sardonic depending on one's opinion, is everywhere to be seen on the continent. But for a citizen trying to decide how deeply, if at all, he or she identifies with Europe, Europe itself is both everywhere and nowhere. Europe exists and yet cannot be seen. Europe exists as a community that many more nations aspire to join. Europe exists as a set of rules that organize an amazing array of economic, social and political interactions among half a billion people. The 'smile of Europe' greets every European customer at the supermarket in the form of more diverse and cheaper products. It greets every European investor at the bank in the form of one of the world's strongest currencies and of cross-border investment opportunities. It greets every European student enrolling in the Erasmus program to study abroad for his or her national diploma. And it greets every European patient accessing some of the best health systems in the world in EU countries other than his or hers. Yet, few of these customers, investors, travelers, students, professionals and patients are fully aware of whose grin is looming behind this omnipresent veil of green lights. Only on very rare occasions can one actually see the Cheshire cat rub its furtive skin against the European wall. This happened most recently when Gordon Brown, the UK Prime Minister, flew into Portugal from the EU capital closest to Cheshire County to sign the Lisbon Treaty in the darkness of night, hours after his 26 peers had done so, nodding the Treaty into existence without appearing on the official photograph that had recorded the event.

English sense of humor aside, the reasons for this paradox are, in part, technical. The ordinary man and woman in the street can be excused for knowing little about the mechanisms behind the European Directives from which a large part of national legislation is now derived.¹⁸ One does not have to be a British tabloid reader to have to struggle to understand how a Cabinet member in a national government—a member of the Executive branch—can become a legislator when entering the European Council

¹⁷ "[...] a grin without a cat! It's the most curious thing I ever saw in all my life!" Lewis Carroll, *Alice's Adventures in Wonderland*, 1865, chapter 6.

¹⁸ Jacques Delors predicted that: "in ten years, 80% of national legislation would originate in Brussels". The actual proportion is smaller, even if it is still very significant. Sylvain Brouard and Olivier Costa, « Mythe et réalité de l'eupéanisation – Non. Les lois ne sont pas écrites à Bruxelles », *Le Monde – Débats Horizon*, May 30, 2009, p. 21.

chamber in Brussels. The role of the European Parliament under any of the four co-decision processes (of which there used to be a good dozen) is similarly complex. Europe has done an excellent job at pioneering and perfecting the checks and balances needed to make decisions at a supra-national level, doing so in ways that meet demanding legitimacy benchmarks as set by national governments, legislators and constitutional courts. Yet legitimacy only extends in a diffuse manner to the broader circle of public opinions. Europe, indeed, easily shows its elitist and technocratic profile. Criticism tends to be expressed in relatively civilized manners: while ultranationalist parties attract attention from time to time before being brought down to size, Brussels has not experienced the equivalent of the Oklahoma City bombing. More worrisome, therefore, is the apathy of the broader European public opinion toward the Union. Did Edmund Husserl not prophesize in 1935 that “*the greatest peril threatening Europe is tiredness*”?¹⁹ After observing how advanced Europe is compared to any other integration effort, whether in North America, the Americas or Asia, former EU Commissioner and now WTO Director General Pascal Lamy indeed laments that Europe “*has been able to develop the techniques to supranational exercise of power but not a supranational legitimacy*”. In his words, “*for several decades now Europeans have been hard at work rubbing institutional flint stones to light the fire of European democracy, without the hoped-for spark materializing.*”²⁰

The Lisbon strategy adopted in 2000 and refined in 2005 was a major effort on the part of the European elite to, at last, light such a fire. If one leaves aside the flamboyant tone that could easily be mistaken as American or Chinese (“*to become by 2010 the most competitive, knowledge-based economy in the world*”²¹), the Lisbon objectives and guidelines relate to a combination of competitiveness, human capital development and job creation aspirations that should resonate with people. Nevertheless, Jérôme Vignon, one of Brussels’ best minds and an inspirer of the strategy, had to confess that the hoped-for bottom-up momentum had failed to materialize. Even the flint stones of Internet, innovation, education and social cohesion failed one more time to produce the spark: “*what should have been a rallying European strategy,*” he laments, “*remains all too often a strategy pursued in Brussels and for Brussels.*”²²

If a program focused on job creation and social progress does not resonate with a majority of Europeans, is this not the nail in the coffin for the grand European plan? There is more to democracy, however, than opinion polls. A sense of perspective is in order. After all, polls taken before the Fall 2009 national elections in Germany have

¹⁹ Quoted by Michel Labro, « La lassitude de l’Europe », *Le Nouvel Observateur*, August 27- Septembre 2, 2009, p. 6. French quote : « Le plus grand péril qui menace l’Europe, c’est la lassitude »

²⁰ Pascal Lamy, interviewed by Gérard Courtois and Frédéric Lemaître in « La Crise de la social-démocratie », *Le Monde*, August 27, 2009, p. 18. French quote : « Elle a su faire le saut technologique du pouvoir supranational, mais il n’y a toujours pas de légitimité supranationale. Cela fait plusieurs décennies que l’on frotte le silex institutionnel et que le feu démocratique ne prend pas ».

²¹ Presidency Conclusions, Lisbon European Council, 23-24 March 2000, http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/00100-r1.en0.htm

²² Jérôme Vignon, “After Lisbon: still Lisbon?” in *Looking for the European Interest*, A collective work directed by Philippe Herzog, Confrontations Europe 2008, p.55.

found the German electorate just as bored with German politics²³ as Europeans seemed to be with the European institutions. And yet, no commentator inferred the irrelevance of the Federal institutions put in place by Bismarck. Organizing the governance of a multilayered political system within a globalizing world is a challenge that no other group of countries has taken up—neither in Asia, Latin America, Africa nor North America itself. Making work a democracy of multiple belongings and strengthening convergence between employment policies can hardly be expected to produce the type of enthusiasm that greets a populist national politician at political rallies. “*In practice*”, observes Jerome Vignon, “*the European strategy often finds itself isolated from national reforms, even if it is basically dealing with the same issues and the same objectives*”. The reasons he gives are worth reflecting upon as they point to the new layers of political skills that are required for a multi-nation state to operate successfully: “*the lack of appropriation is not simply a reflection of a national self esteem that is resistant to the ‘Brussels bureaucracy’ as a matter of principle. The issues broached in the [Lisbon strategy’s] ‘guidelines’ feed heated national debates, but in accordance with a relatively random political calendar which only rarely coincides with the biannual regularity of the EU. Caught between the two rhythms, the decision-makers manage the synergies as best they can.*”²⁴ In other words, the pulse of national political life in 27 countries is unlikely to coincide with the ‘Brussels’ pulse’, even when the two agendas are made compatible. The learning curve on which Europe has embarked is one that deserves more respect than the summary judgments that confuse complexity with irrelevance. Political sophistication is on the rise throughout the continent, but a good old chauvinistic speech or a nice political show-down between well-known national figures will always draw more interest.

2.3 The Boomerang of Creative Ambiguity

While Europe is more than the sum of its parts, the Cheshire-cat nature of the sum and the lack of deeper identification with that ‘European sum’ can explain why Europe appears as snatching defeat and irrelevance out of the jaws of victory. An essential European paradox is that, in addition to the lack of widely shared European symbols that we just described, both this situation and the confusion that too often surrounds Europe’s successes are rooted in the very process that has made European integration possible.

What Europe should become, and therefore, to some extent what Europe has already become, are questions left purposely unaddressed for fear of opening a Pandora’s Box from which only bitter division would emerge. This was a prudent and constructive attitude when political and economic integration was limited. Indeed, as further explained below, creative ambiguity played a key role in the success of the step-by-step integration strategy known as the Monnet method (after Jean Monnet, one of the founding fathers behind the Treaty of Rome). Such ambiguity is increasingly at odds

²³ Roger Cohen, “The Miracle of Dullness,” *The New York Times*, September 23, 2009.

²⁴ *Ibid* p.55

with Europe's real power and with the type of demands placed on Europe. European institutions are routinely referred to as the 'Brussels bureaucracy' when they are in fact smaller than one single middle-sized national ministry and take far-reaching decisions that change the life of millions of people and of thousands of companies. After all, the European Commission now has the legitimacy and clout to impose billion dollar fines on Microsoft, Intel and other global behemoths – with *The Wall Street Journal* left to write Gaullist-sounding editorials about 'European imperialism'²⁵. Europe is routinely expected to provide common answers to the financial crisis, to talk the U.S. and China into a binding Kyoto-like agreement on climate change, and of course to be strong enough to provide eighty million Turks and fifty millions Ukrainians with an anchor for their still consolidating democracies. This happens at a time when the global system itself is in a state of flux, with the U.S. re-opening her eyes to the world beyond the greater Middle East and reaching for a diversity of 'reset' buttons. While the bar has been raised internally, times are also challenging externally. The 'functionalist' approach to integration whereby pragmatic problem solving would foster integration served Europe well in the past. The same functionalist approach, however, may prove dysfunctional now that Europe has become an essential source of social, economic and political norms and that Europe is expected to act with resolve on the world scene. It may even boomerang as Europe is confronted with the rise of sovereignty-driven approaches to global economic, financial and environmental interdependence that require an articulate defense of its model.

The alternative to letting Europe develop under the cover of creative ambiguity has been tried in the form of a Constitutional conference that its inspirer, former French President Valéry Giscard d'Estaing, compared to the U.S. Constitutional Convention in Philadelphia. *The Economist* is still choking on the fact that the Convention ended by proposing a common anthem for Europe—Beethoven's Ode to Joy, how deeply shocking²⁶. The effort by the Constitutional Convention to consolidate all European Treaties into one and to articulate a clearer perspective was rejected in 2005. Not only was the Ode to Joy one song too far for some but, as Monnet would have predicted, different groups rejected it for opposite reasons—the French because they saw it as far too capitalist and the Dutch because they considered it too heavy on social cohesion. Once again, the euro-advocates were left with Monnet's 'always-think-of-it, never-mention-it' mantra of opportunistic ambiguity. It turned out that it was easier to forget about the Ode to Joy, to rename the proposed EU Foreign Minister a High Representative and to otherwise pass almost all other articles of the proposed Constitution under the name of, first, the 'mini-treaty' and, then, the Lisbon treaty.

²⁵ See for instance "Regulatory Imperialism", *Wall Street Journal*, October 26, 2007.. For a denunciation of European "normative imperialism", see Jan Zielonka, "Europe as a global actor: empire by example?", *International Affairs*, Volume 84 Issue 3, pp. 471 – 484.

²⁶ "The future's Lisbon: Now that the Irish have voted Yes, what sort of Europe will emerge?" *The Economist*, 'Wake up Europe' issue, October 10-16, 2009, and "On grand, anthem-worthy occasions Europeans will be spared having to stumble through Beethoven's 'Ode to Joy'", *The Economist*, November 13-19, 2009.

Against all odds, Europe has now put in place its ‘never call it Constitution’ of a Treaty. One should not shy away therefore from asking the one question that the Constitution would have answered and that Lisbon does not, namely: what is ‘Europe’ as a political and democratic construct?

The answer provided in the November 1993 Maastricht Treaty—“an ever closer union”—was a dynamic and adjustable one. It was, and remains, so close to the truth that it was unacceptable to those member countries that can only walk into their European future backward, fulminating against the integration journey. This reference to the open-ended and self-perpetuating character of European integration was therefore removed from subsequent treaties. Hence the current paradox of the European Union presenting itself in either just one word (‘Europe’), a word that suggests a single voice and a single state yet that is aloof of institutional and political specifics, or in the overwhelmingly detailed form of the eighty thousand pages of regulations embodied in the famous ‘*acquis communautaire*’.²⁷ The one-word Europe predates any political concept—witness its frequent use in the British press where it is tantamount to Sartre’s “*les autres*”²⁸—, whereas the eighty-thousand-page Europe leaves one having to guess the shape of an animal from its DNA sequence.

While the functions entrusted to the federal level differ, in many respects Europe is more integrated than some federal or confederal entities—Canada and Switzerland being reasonable examples. Yet Europe is still missing some of the essential ingredients for its federal nature to be easily recognized and understood. Why is that so? To make a long story short and leaving important nuances out, most federations were created to, most notably, make a given set of states stronger *vis à vis* some outside power, whether against the British in North America and in India or against the European great powers in Switzerland. Powers devolved to the Union level included diplomacy and defense. Even though Texans and New Yorkers, for instance, would find it difficult to vote for a common diplomatic stance, they accept that the U.S. expresses their common identity and their shared fate in this respect. Europe, by contrast, federated itself *against itself*, which is to say against the risk of perpetuating the Hobbesian world of feudal wars, Thirty-Year wars, opportunistic alliances and joyful slaughtering in the trenches. An essential moment in making possible its enlargement to Central and Eastern Europe, a pre-requisite to the eighty-thousand page medicine of the *acquis*, was the signing of the 10 June 1999 Stability Pact banning any border challenge, including on the basis of considerations for the fate of national minorities. Hungary, for instance, had to give up its nostalgia about Bratislava; similarly, the large Romanian and Hungarian minorities on both sides of the Hungarian-Romanian border had to agree that a common European home would matter more than the delineation of national borders²⁹. On this basis,

²⁷ It is this *acquis* that candidate countries are invited to swallow chapter after chapter, in the footsteps of those countries that already took these eighty thousand small steps on the road to “Europe”.

²⁸ “L’enfer, c’est les autres”, in Jean Paul Sartre, *Huis Clos*, 1944 (“Hell is other people”, in *No Exit*, a play title also translated as *Dead End*).

²⁹ Adopted in 1993, the Copenhagen membership criteria for applicant countries require “the stability of institutions guaranteeing democracy, the rule of law, human rights and respect and protection of minorities”.

Slovakia could leave Czechoslovakia without a whisper—something that could not happen, at least not outside of a shared European future, in Nagorno-Karabakh, in Transdnistria, in the Crimea or in Abkhazia. Europeans trust Europe because, in part, they have learned to distrust themselves and one another—which makes Europe the Hobbesian ‘sovereign’ in the very continent that tried to free itself from Hobbes. This, as we shall see, makes for a different political culture than unions entered into against a common enemy. It also makes for much more of a European identity than is commonly assumed—as Georgians would discover if they understood that Abkhazia would be the Slovakia of South Caucasus in a further enlarged EU. While the political principles are affirmed only *mezzo voce*, this also implies, as we shall develop, that the role of the market is absolutely critical—providing as it does the essential glue, the common and explicit language. On a day-by-day basis, the market serves as the by-default source of European identity. Yet, in the deeper layers of the consciousness, the sacrosanct internal market is only a means towards broader, deeper and more diffuse objectives that are still to be convincingly articulated and listened to in their own rights.

Creative ambiguity has therefore been an essential tool in the hands of the pioneers of European integration, leading to surprising successes as we shall discuss when reviewing Margaret Thatcher’s contribution to the very integration process she intended to oppose. Nonetheless, this tool has limits, as shown by Joseph M. Parent when he reviews how each of the three engines behind the ‘ever closer union’ may fail Europe.³⁰ Furthermore, creative ambiguity may now turn into a boomerang. As captured in the commentaries quoted above, disappointments with a given policy tend to translate into sweeping judgments about the integration process as a whole. Even true believers appear distressed. Hence the importance of the public debate that can dispel ambiguity, and of the public space in which this debate can be conducted.

2.4 The Emerging European Public Space

Europeans largely act and think as Europeans. British, Scandinavian and Latin Europeans alike oppose the death penalty and hold similarly high expectations regarding access to health and education services. And yet, seen from inside Europe, the differences between various national models tend to attract the most attention. Europeans can discuss at length the pros and cons of the German, Scandinavian, British or French social models, even when trying to learn from one another³¹. One does not easily empathize with ‘Europe’—except, and this is a major exception, in European countries outside of the EU where European integration has not yet provided the peace, prosperity and social cohesion that EU member states take for granted. The qualities of Europe are revealed by its absence—they go without saying inside the Union.

³⁰ Joseph M. Parent, *Europe’s Structural Idol: An American Federalist Republic?*, Political Science Quarterly, Volume 124 Number 3, Fall 2009, pp. 513-535.

³¹ The Scandinavian model notably has attracted attention in countries like France eager to combine economic competitiveness with high levels of social cohesion. See Philippe Garabio, “La flexisécurité, une révolution européenne?”, Fondation Robert Schuman, October 2007(<http://www.robert-schuman.eu/pdf.qe.php?num=qe-73>).

In the past, this “without saying” nature of the European identity could be explained by the absence of a European public space. In discussions we had, then Prime Minister António Guterres of Portugal stressed that the issues common to Europeans were discussed by the people of each member state in their national public space, even if the policies resulting from these multiple national dialogues were formulated at EU level under increasingly democratic rules.³² Similarly, many have observed how elections to the European Parliament are fought in the respective national public spaces as opposed to the broader European one that Jürgen Habermas has advocated for Europe for so long.³³

Yet, against all odds, a European public space has begun to take shape. As observed by Brendan Donnelly, Director of the Federal Trust in London, even though the European Parliamentary elections continue to be fought essentially on national grounds, the work of the European Parliament is highly ‘politicized’ in between elections—in the sense that clearly identified European parties interact and compete within a European space and around a European agenda³⁴. Most of the time, he observes, European MPs (EMPs) of a given country vote along party lines, not national lines. True, these EMPs are not the most powerful voices in their own parties and must defer to the national leadership when running for elections. But provincial and federal Canadian parliamentarians in Calgary and Ottawa do not always relate in a better manner. Similarly, even though less than half of them voted in the June 2009 European elections, the French voters rewarded the two lists that had put Europe at the center of their campaign, punishing those that had made the European elections a preparatory round for national elections.³⁵ The quality of the French debate on Europe was high, and its conclusions clear to public opinion. More strikingly, the existence of a European public space is manifested in the request that the rest of Europe was able to convey to the Irish people after they had voted against the proposed Lisbon Treaty. Imagine for an instant that the electorate in the U.S. or Mexico had voted against stronger integration in the NAFTA region: can one suppose that the NAFTA partners could ask the people of that country for a second vote? In Europe, by contrast, a political culture of pooled sovereignty is emerging, and one can indeed debate above borders, in ways and with a degree of mutual respect that leaves little to envy from the debates between California

³² “European political culture, citizens and global governance: dialogue with António Guterres,” in *Visions of Art, Art of Vision*, Albert Bressand and Catherine Distler, editors, Prométhée/Ernst & Young, Paris 2000, pp. 33-43.

³³ For a presentation on the thesis of the ‘public sphere’ developed by Jürgen Habermas since 1963, see for instance Jürgen Habermas, *Après l’Etat-nation*, Paris, Fayard, 2001.

³⁴ Brendan Donnelly, Krynica Economic Forum, September 10, 2009. As observed by the *Economist*, “MEPs from centre-left, centre-right, and the centre reliably favor action at the European level, a bigger EU budget, more public spending, more EU regulation and generally grabbing power from national governments and the Commission.”, *The Economist*, “The Future’s Lisbon,” October 8, 2009.

³⁵ The winners were the Europe Ecologie list led by three figures two of whom are not of French origin (Germany’s Daniel Cohn Bendit and Norway’s Eva Joly, with Jose Bové the third leader) and the list of President Sarkozy’s UMP party who was credited for a well managed and quite successful French presidency of the union. The Modem party had chosen to make the European election an opportunity to protest President Sarkozy’s domestic policies and personal style; they lost heavily, as did the Socialists.

and Texas, between Kerala and Maharashtra, or between Quebec and Alberta. On many accounts, the difference is now one of degree, not one of nature.

This is where the 'so what?' question enters the picture again. While this common political culture reinforces itself and while a European public space gradually emerges, one major qualitative difference persists. The development of a European public space and of a co-sovereignty culture stops short of what it would take for Europeans to constitute one people, or to put it less strongly, one 'demos' spanning the many nations of Europe. Comparing the present European integration to the American one of the 1780s and 1790s, Joseph Parent suggests that there may well be a glass ceiling separating the 'ever closer union' from a Union.³⁶ For all its progress and sophistication, the European political culture is missing the equivalent of what is the cornerstone in other federations: European patriotism.

2.5 The European Patriotism That is Not

Patriotism holds countries together at times of high stress and uncertainty. In the US, one such testing time was the first election of George W. Bush in November 2000, the election that was adjudicated by the Supreme Court after candidate Bush had lost the popular vote and strong doubts had been expressed as to the integrity of some State's election results. American patriotism—the depth of Americans' identification with their country—made it possible for the U.S. political body to absorb such a stress. This type of resilience is hard to imagine under similar circumstances in Europe. The much lower level of stress stemming from the wedge that President George W. Bush introduced by pitting "old Europe" against "new Europe" was hard enough to weather.³⁷ "My country right or wrong" accepts no European equivalent on a continent that still remembers the price exacted by an overdose of 'Deutschland über alles' and 'La France aux Français'.

Compounding the difficulty for a European patriotism to emerge, Europe, at least by international standards, is a continent of disbelievers. Not in a cynical manner, the *Charlemagne* chronicle in *The Economist* notwithstanding, but in the tradition of Descartes, Kant or Plato. Public buses in London and other large European cities recently carried advertisements inviting one to put the existence of God in doubt, an atheist campaign greeted with neither enthusiasm nor revulsion by the public at large.³⁸ A campaign doubting the existence of Europe would find them similarly distant. By contrast, when they visit the US, the Londoners or Lisboetas who rode these buses with amusement can only be struck by the strength of U.S. faiths—whether faith in

³⁶ Joseph S. Parent, *op. cit.*

³⁷ A similar effort by President Putin is more easily resisted as he tries to mobilize the "old Europe" against the "new Europe" of former Comecon and former Soviet Republics to advance the Russian vision of how energy relations should be organized in Eurasia. This leaves 'old Europe' facing the more manageable challenge of expressing solidarity with the new members.

³⁸ Launched by the British Humanist Association, the campaign raised more than 135,000 British pounds in 5 pound-only donations to run the slogan "There's probably no God. Now stop worrying and enjoy your life" on 600 British buses. The campaign was emulated in Spain, Portugal and Washington D.C. (where the slogan was "Why believe in a God? Just be good for goodness' sake"). See <http://london.cafebabel.com/en/post/2009/01/07/Britains-Atheist-Bus-Campaign-spreads-across-Europe>.

democracy, faith in the market economy, faith in the right to bear arms, faith in progress, faith in communities and, of course, faith in God. “What has God to do with the American experiment?” asked E.J. Dionne and John DiIulio before providing a variety of examples of the seamless manner in which Americans combine their religious faith with their political and social endeavors.³⁹ Having fled the religious wars and Holy Inquisition that left Europe in ruins, Americans do not have the same reasons to fear their own excesses of faith, whether in the religious or patriotic realms. Tocqueville was puzzled to see how two principles that the French revolution had pitted one against the other worked in concert in America. In his words, “*in America, religion leads to wisdom; the observance of divine law guides man to freedom.*”⁴⁰ Indeed, while Mormons and other non-mainstream creeds can hope to overcome the odds one day, not being able to proclaim one’s faith almost certainly closes the road to the White House.

Europeans may therefore never have ‘faith in Europe’ in the way Americans have faith in America⁴¹ or Chinese and Indians have faith in China and India. This somehow protects against excesses of euro-zealotry and makes criticizing Europe more acceptable on the part of Europeans and non-Europeans alike. Criticism, we shall see, has often been far more constructive than the rhetoric would suggest. Yet, this absence of ‘faith in Europe’ also has opposite effects on two essential groups of stakeholders: it reinforces apathy in the public in general, and it pushes euro-advocates towards an increasingly abstract form of idealism. Let us look at these two groups in turn, as this will shed light on the difficulty for Europe in overcoming the functionalist, step-by-step approach even when it has become dysfunctional.

For ordinary EU citizens, Europe has produced a revolution of rising expectations that they only loosely relate to Europe as a political construct. EU citizens have come to expect the same treatment in any EU country, not just for the goods they need but for themselves as persons, whether in the job market, in schools, in matters of civil liberty or in rights of access to the health care system. Although most of these rights could not exist absent a fairly elaborate and far-reaching political structure, the latter is poorly known and easily assumed away; most Europeans are not aware of how special their region is in this respect. The rights and entitlements that Europe has created or further legitimized are experienced as individual rights waiting to be turned into universal rights, not as instruments put in place through the political process that befits one *demos*. As long as it is not tainted with racism or does not border on insults, any attack on Europe will therefore be greeted with a level of detachment.

Meanwhile, advocates of European integration find their own enthusiasm – their own faith – hard to communicate and slightly at odds with the general ambiance of disbelief.

³⁹ “What has God to do with the American experiment?”, E.J. Dionne and John DiIulio, editors, *Brookings Review*, Vol. 17, Spring 1999.

See also Roger Finke and Rodney Stark, *The Churching of America: 1776-1990, Winners and Losers in Our Religious Economy*, Rutgers University Press, 1992.

⁴⁰ Alexis de Tocqueville, *Democracy in America*, edited by J.P. Mayer, translated by George Lawrence, *New York : Perennial Classics*, 2000, p. 54.

⁴¹ “In the United States, the motherland’s presence is felt everywhere”, *Ibid.* p.112.

The absence of European patriotism makes any compromise hard to accept, and true believers are prone to seek refuge in an idealized vision of the Union. As he endeavors to communicate his enthusiasm for Europe, Philippe Herzog, for instance, very naturally includes among Europe's many missions the "*mission...to foster equity and solidarity within an open system [suffering from] the inability of billions of people to make the most of their freedom and their potential*".⁴² His statement is actually in line with official pronouncements that see no geographic limits to "Europe" but rather associate it with shared values⁴³, or that define the European identity in terms of the three pillars of humanism, diversity and universalism – not a narrow, 'my country-first' patriotism.⁴⁴ No surprise, therefore, that it can be easier for many young Europeans to define themselves as *world-citizens* rather than as the "European citizens" that they are invited to be under the Maastricht Treaty.⁴⁵

Euro-pessimism can, finally, be fed not just by difficulties Europe may experience but by the general state of the world. In Philippe Herzog's words again, "*Europe is losing confidence in itself. Especially since it aspired, in the West, to a universalism grounded in European values, and this universalism is now opposed by many across the world.*"⁴⁶ With a bar raised that high, it will be difficult indeed for the hard-core Europeans to proclaim success!

For the relatively small circle of euro-believers, Europe therefore tends to be invoked as an absolute ideal. Progress that would appear spectacular within a national public space tends to be dismissed as merely one step on the road, if not as the good that distracts from the best. Let us contemplate the following recent sequence as an example. The rapid succession of enlargements from the EU of 12 to the EU of 27 succeeded and was followed by more efficient decision making⁴⁷ as well as by plans for further enlargements. The euro has made new converts after surviving a global financial crisis that most would have previously considered as the asymmetric shock par excellence—witness the sharp drop in the British pound. The European Constitution, which had been pronounced terminally dead after the French and Dutch referendums, was adopted at the mere cost of calling it the Lisbon Treaty and of giving up on the Ode to Joy. Corruption in Bulgaria is publicly denounced and subsidies worth several hundred

⁴² Philippe Herzog, "A strong Union as a Link in a Global World", in *Looking for the European Interest*, A collective work directed by Philippe Herzog, Confrontations Europe 2008, p. 22 and 26.

⁴³ The "Charter for a New Europe" adopted by the CSCE participating states in 1990 in Paris states that the New Europe extends as far as the reality of human rights and democracy, rule of law and pluralism, economic freedom, social justice, and the commitment for peace is reaching on European soil.", European Commission Forward Studies Unit, *Reflections on European Identity*, Edited by Thomas Jansen, Working Paper, 1999.

⁴⁴ Marcelino Oreja Aguirre, the EU Commissioner in charge of communication, information, culture and institutional questions in 1995-1999, highlighted three constituent poles of European identity: "First, Europe is steeped in humanism and all the values that make up its heritage today. The second is European diversity: even if the construction of the Community seems to be a harmonization process, this harmonization is just a necessary step towards the realisation of a European market-place which should allow underlying diversity to flourish. Diversity is truly Europe's richness. Finally, universalism is a European value and an obligation. At a time when Europe is sometimes tempted by the idea of becoming a "fortress Europe", this founding principle has to be constantly remembered and revived". *Ibid.*

⁴⁵ See for instance the debate on why EU-member countries nationals should be allowed in local and regional elections while immigrants from other continents are not.

⁴⁶ Philippe Herzog, *op.cit.* p. 23.

⁴⁷ Renaud Dehousse, Florence Deloche-Gaudez, Sophie Jacquot, *Que fait l'Europe ?*, Presses de Sciences Po Collection : Évaluer l'Europe, 2009.

million euros are frozen until the national government of Bulgaria comes clean. European taxpayers hoping to see their taxes used in support of national jobs—as taxpayers of all countries always hope and can be excused for hoping—are named and shamed by EU authorities, as the latter have the power to ask for a reimbursement of national subsidies. This was bluntly made clear to German taxpayers hoping to preserve jobs at Opel car manufacturing plants in Germany.⁴⁸ On the energy front, twenty seven countries have committed to producing between fifteen and twenty percent of their electricity from expensive alternative sources—including France which already had an almost entirely carbon free and much cheaper energy mix. The tax havens of Luxembourg, Belgium, Austria, Lichtenstein, San Marino and, beyond the EU's borders, Switzerland and to some limited extent the (British) Channel Islands are left no choice but to put a brave face on the opening of their books and vaults. Billions of euros are being sent to far away countries to help them fight climate change, including to China (which treats it as some sort of moral debt service) and to African countries (that denounces it as example of colonialism while asking for more). And yet, this display of quite remarkable initiative and buzz of activity occurs at a time when Elie Barnavi can still be considered to speak for a vast majority of the euro advocates, and of the media passing a judgment on Europe, when she soberly proclaims: “*Europe is running out of steam and courage.*”⁴⁹

The European dream may indeed become harder to dream—at twenty seven in the dormitory and counting, this should not come as a complete surprise—and yet European integration goes on, even if the ‘steam and courage’ of European idealists coexist with more mundane forces in shaping integration patterns. Which brings to light a remarkable feature of modern European history, well in line with the political culture just described: European integration has required only a limited amount of faith in Europe. Indeed, integration has fed upon the very flow of criticisms to which ‘Europe’ is subjected. What better way of illustrating that point can there be than considering how Margaret Thatcher, the Euro-skeptic par excellence, ended up contributing to the further development of what she bluntly called the European political nonsense?

2.6 The House that Margaret Thatcher Helped Build

For its founding fathers—Jean Monnet, Konrad Adenauer, Robert Schuman, Alcide de Gasperi and others—, the European Community, as it was called initially, was a political project that had to be pursued largely in the economic sphere. This paradox was the result of a careful design intended to open a more realistic road to European integration. Drawing upon the lessons of the failure of the proposed Common European Defense (CED) project before the French Parliament in 1954, they opted for a pragmatic

⁴⁸ See for instance Nikki Tait and Stanley Pignal, “EU pledges close look at Berlin’s Opel deal”, *Financial Times*, September 17, 2009, p. 4.

⁴⁹ Quoted by Philippe Herzog, *op.cit.*, p. 21. For similar opinions in the media, see Philips Stephens who, echoing many others, writes “The integrationist impulse that led to the creation of single market and a European currency has long since dissipated”, in “Lack of ambition leaves Europe in the slow lane”, *Financial Times*, July 23, 2009.

step-by-step approach in which the final objective of integration would never again be put forward, at least not until the benefits of actual integration had gradually opened eyes and minds. The spirit of what is usually referred to as the Monnet method was that each successful step would create a slight imbalance that could only be resolved by taking yet another step. Common sense and compromises rather than ‘courage’ would fuel progress. The method was a statesman’s ploy to make the European project politician-proof.

The Monnet method worked, including in surprising circumstances. In the 1980s, then British Prime Minister Margaret Thatcher expressed some exasperation with the continental dream and put forward what she believed was a strategy to pull Europe onto safer tracks. She used her status as Europe’s new de Gaulle to resurrect the spirit of the European Free Trade Association (EFTA). Embodying the type of inter-governmental, market-centric Europe that the UK is most comfortable with, EFTA, or ‘the Europe of Seven’, provided an alternative to the ‘Europe of Six’ that had just come together around the federally inspired Treaty of Rome. One by one, the EFTA member countries joined the other Europe, but the EFTA spirit never quite died.⁵⁰

Mrs. Thatcher’s project, as expressed in her famous 1988 College de Bruges speech⁵¹, was coined in an abrupt and dismissive manner as a better idea for Europe. Trade barriers were going to be identified one by one, and they would be dismantled. A free market would emerge in Europe, at last, weakening the grasp of quasi-socialist states South of Dover. Organizational matters would be dealt with by the market rather than by governments. This would take the wind out of the sails of ambitious political and monetary initiatives considered by Jacques Delors, who was at the time President of the European Commission. The program was expressed in the down-to-earth form of 279 measures that would dismantle as many trade barriers. And yet, identifying—and why not ridiculing—the gaps in the Common Market⁵² was exactly what the Monnet method would have called for. As Sylvia Ostry⁵³ pointed out in her studies of the ‘policy arena beyond the border’, dealing with the Common Market’s unfinished business meant dealing with barriers to trade in services which usually do not take the form of border measures but of domestic regulation. The full forces of the British Foreign Office and British industry were unleashed to dismantle these 279 barriers, when this was akin to building at least as many European regulations transferring regulatory control over significant parts of national economies to the European institutions.

⁵⁰ Created by the EU to accommodate relations with countries that want access to the Internal Market while keeping the Commission at arm’s length, the European Economic Space (EEA) is not unlike what EFTA could have become. Norway can be expected to remain an EEA member as long as its oil and gas wealth lasts. Otherwise, there has been little appetite for this EU-light or EFTA-plus approach, with Iceland about to jump ship and tiny Lichtenstein the third member.

⁵¹ Margaret Thatcher, “Letter supporting Iain Duncan Smith for the Conservative leadership,” August 21st, 2001. <http://www.margarethatcher.org/speeches/displaydocument.asp?docid=108390>.

⁵² As put in place in 1968, the ‘common market’ was a custom union for goods.

⁵³ See for instance Sylvia Ostry, “The Domestic Domain: The New International Policy Arena”, *Transnational Corporations*, Vol 1, No. 1, February 1992.

The Thatcher endeavor succeeded beyond expectations, and the Internal Market was built with clockwork precision. According to the mental map that had inspired this effort, a map that reflected the EFTA philosophy, Europe should have moved westward, significantly closer to an open transatlantic free-trade zone. In truth, the map was obsolete, and Europe had in fact moved southward, meaning towards the Treaty of Rome's long term objective. Indeed, moving from the 1968 Common Market in goods to the Internal Market of 1992 is probably when Europe crossed the Rubicon on its way to becoming an integrated political entity.⁵⁴ In an advanced services and information economy, the 279 measures all spelled deeper integration. As analyzed in a major research program at the Brookings Institution under Harvard's Robert Lawrence⁵⁵, 'deeper' integration as fostered by notably regulatory convergence and mutual recognition of regulations contrasts with the 'shallow' integration associated with trade in goods. As anyone undergoing secondary inspection at the US-Canada border on his way to an academic conference will appreciate, as I did, the 'four freedoms' of movement for people, goods, money and information that Europe has put in place reflect a higher view of what unites people than does the NAFTA free trade zone; they assume and foster a high level of mutual trust; define a political space, not just a market.

In turn, the level of integration reached when the many 'Europe 1992' Directives were in place cast the previously highly controversial economic and monetary union in a new light. The risk of currency instability appeared less and less acceptable to countries that had just undergone such massive regulatory surgery in the pursuit of efficiency gains that just a few days of currency turmoil could sweep away. This down to earth analysis has now extended to almost all countries that do not have some competitive advantages as unique as the City of London is for the UK, to put it mildly. Creative ambiguity was at work again: a common currency could be presented as merely the roof on a complex economic construction, and not the floor on which to build the United States of Europe. In the Monnet perspective, however, the opposition between roof and floor is merely transitory since—to stay within the metaphor—the United States of Europe are to be built as a tower that only rises one floor at a time.

2.7 One Decade of European Energy Policy

The design of a common energy policy provides yet another illustration of the Monnet method at work, as well as one of the essential challenges to the further success of this method after the Lisbon Treaty.

⁵⁴ A point could be made that, obsessed as it has often been with limiting the power of the Commission, the French Quai d'Orsay did more than Margaret Thatcher to slow down European Integration. French diplomacy certainly left unanswered the proposal for political union put forward by German Senior Parliamentarians Lamers and Schäuble in 1994, a proposal reiterated by German Foreign Minister Joschka Fischer on May 12, 2000.

⁵⁵ Brookings Institution's Integrating National Economies Project. See the Capstone volume by Robert Lawrence, Albert Bressand, Takatoshi Ito, *A Vision for the World Economy: Openness, Diversity, and Cohesion*, Brookings Institution, Washington DC, 1996.

The decision to bring energy under the EU Internal Market was taken at the 2000 European Summit that was held in Lisbon. By that time, the “Europe of 1992” internal market was firmly in place. Countries like France that had adamantly protected a public service approach to energy were finding it increasingly difficult to justify that energy, together with financial services, would remain the last exceptions to the internal market.⁵⁶ Whereas the 1996 and 1998 Directives were leaving Member countries free to adopt or not the common rules put forward—notably Third-Party-Access for oil and gas pipelines—the 2003 energy Directives marked the first step towards a constraining common regulatory framework. After the half a decade of interactions among energy regulators that this triggered, the 2009 Directives spelled out a comprehensive framework for cross-border integration and harmonization of a type that the U.S. is not even contemplating. Indeed, going possibly one bridge too far, the Directorate General for Competition that held the pen on these matters, considerably narrowed the range of business models that European energy firms can adopt by requiring that they fully unbundle their transmission assets (pipelines and electricity transmission networks) from their production assets⁵⁷.

Furthermore, anticipating the 2009 Directives, the December 2008 Energy and Climate package placed market regulation in the broader framework of three guiding objectives also covering important environmental and security dimensions.⁵⁸ These three objectives are sustainable development, a competitive market for gas and electricity, and security of supply. The first two objectives have been translated into comprehensive policies—although the merit of specific measures can be debated. As for the third objective, the two Ukraine gas-transit crises of January 2006 and January 2009 have clearly shown the limits of the trust placed in internal-market discipline to keep external supplies of gas flowing. As we discuss in the conclusion of this paper, the development of an external energy policy will be one of the first tests of the development of a common foreign policy for which High Representative Lady Ashton is now responsible.

⁵⁶ By contrast, the lack of momentum in the NAFTA process explains why similar peer pressure is not at work, for the benefit of all three countries, between the U.S., Canada and Mexico.

⁵⁷ Unbundling under the fiercely debated 2009 Directives can be achieved in three manners—through ownership separation, through pooling of transmission facilities under one common operating company, or through the establishment of an Independent Transmission Operator within the company itself. In all cases, however, the normative reference remains the British market model whereby traders are expected to provide market-based prices for all services along the value chain. The shortcomings of that model, as illustrated in the Enron fiasco in the U.S., and its implicit assumption that major infrastructures are already in place as they were at the time of the U.S. market liberalization, have never been thoroughly discussed except on the basis of preconceived views. The assumption behind that aspect of the 2009 Directives is that competition at the final customer level will provide the right price signals throughout a fully unbundled value chain. As discussed below, Europe needs to access upstream opportunities and gas transportation infrastructures in jurisdictions that do not come even close to embracing the EU regulatory principle. Hence the present patchwork of rules, TPA waivers and “Gazprom clauses” that attempts to reconcile this one-sided view of pure competition with the realities of a multi-jurisdiction market....

⁵⁸ See Andris Piebalgs, *Europe's New Energy Policy*, Claeys & Casteels Publishing, January, 2009.

3. Beyond Inward-Looking European Integration: Climate and Energy as Testing Grounds for a Single European Foreign Policy

3.1 A Four Point Program for European Integration in the 2010s

We have seen why the Cheshire cat could serve as the symbol for the pre-Lisbon Europe. In a manner that would have been to Lewis Carroll's liking, unannounced and with her previous moves unnoticed – in a word, cat-like – a lady from Lancashire has recently jumped onto the scene. Her smile, like the grin of the Cheshire cat, is here for all to see. Henry Kissinger's question is now answered: Lady Ashton will pick up the phone and be the face of Europe. The task awaiting her, however, is a daunting one.

With external policy now a central component of Europe's new integration phase, four inter-related issues define what Europe needs to achieve to be successful in today's society of interdependent sovereign states. The first two of these issues are of a general nature as they are about addressing the Machiavellian as well as the Kantian dimensions of foreign policy, and about reaching a new understanding with Washington to make the Brussels agenda and the Atlantic agenda more supportive of one another. The other two defining issues are about the two domains in which the definition of a common posture will be of critical importance to Europe's success in the 2010s – namely, climate and energy policies.

3.2 The Dialogue of Kant and Machiavelli—and Kissinger's Phone Call

The Lisbon Treaty notwithstanding, the policy formulation structure for Europe's common foreign policy still differs profoundly from that of a 'normal' state in which external objectives are routinely identified in ways that will benefit some domestic interests or some political currents at the expense of others. Under the Lisbon Treaty, the expression of a "common" foreign policy remains subordinated to the consensual identifications of interests common to all member states. Acting internationally often involves, however, discretionary choices and political calculus that will make a Europe-wide consensus difficult to reach. Absent some form of European patriotism, the list of causes for which such external action is acceptable is limited to humanitarian causes and to the environmental agenda captured by Al Gore's picture of a polar bear about to drown in the warming Arctic Ocean. The causes that Europe is likely to embrace therefore all have some connection to the objective of universal peace first articulated by Immanuel Kant⁵⁹—not a surprising element if one remembers that the creation of the

⁵⁹ "For if Fortune ordains that a powerful and enlightened people should form a republic which by its very nature is inclined to perpetual peace, this would serve a centre of federal union for other states wishing to join, and thus secure conditions of freedom among the states in accordance with the idea of the law of nations. Gradually, through different unions of this kind, the federation would extend further and further." Immanuel Kant, "Perpetual Peace: A Philosophical Sketch" (Zum ewigen Frieden. Ein philosophischer Entwurf) Translated by M Campbell Smith, London: George Allen & Unwin LTD, 1903 p. VII and VIII.

Coal and Steel Community in 1951 and that of the European Community in 1957 were one way for Jean Monnet and the ‘founding fathers’ to make Kant’s dream come true. A united Europe would make war unthinkable, even if through more indirect means that the model-treaty put forward by the eighteenth-century philosopher.

The common foreign policy that can develop around such causes might have been very relevant to, and effective in, the 1990s when beliefs in Fukuyama’s “end of history” let consensual objectives define the agenda. The 1990s’ universal causes are not gone; “making poverty history” and achieving the Millennium Development Goals are still essential objectives. But the ‘dual crisis of security and trust’ of 2001⁶⁰ that followed the September 11th terrorist acts and the Enron financial crisis is still dominating the global agenda. A new generation of issues have emerged that call, at the very least, for more complex trade-offs between economic, environmental and security objectives and that exposes policymakers to the grey zone of “just wars” described by President Obama during his acceptance speech for the Nobel Peace Prize.⁶¹

With Kissinger’s question answered at last, however, Europe will receive ‘phone calls’ that will cause it to oscillate between its spontaneous Kantian stance and a Machiavellian posture. The latter is not necessarily the manipulative one that the narrow reading of *The Prince*⁶² suggests; it is about the discretionary element in foreign and security policy that cannot be based on consensus and therefore requires tighter integration than the Lisbon Treaty provides for. While still raising the flag of what it calls universal values, and with the Copenhagen Climate Summit a good wake-up call, Europe might gain from reflecting on remarks such as those quoted above on the opposition that this universal aspiration encounters.⁶³ Tighter integration of national diplomacies will be needed for Europe to be successful in today’s Society of Interdependent Sovereign States. The time has come, in other words, to lay the groundwork for a *single* European policy above and beyond the *common* foreign policy called for under the Lisbon Treaty.

3.3 The German Constitutional ruling of July 2009

A new generation of controversies about Europe is likely to develop therefore and thus lead euro-enthusiasts to take stock of Lisbon’s shortcomings and to advocate for a new Treaty that would let Europe operate free of the straightjacket of consensus—in other words, to once more extend the scope of qualified majority voting. The Thatcherite camp, by contrast, will clamor that Lisbon was the last Treaty that could decently be

⁶⁰ See *Shell Global Scenarios to 2025: Trends, trade-offs and choices*, Albert Bressand editor, Royal Dutch Shell in cooperation with the Peterson Institute for International Economics, Washington DC, 2005, pp. 25-35.

⁶¹ *Op. cit.*

⁶² Niccolò Machiavelli, *The Prince*, Written c. 1505, published 1515, translated by W. K. Marriott, 1908.

⁶³ See Philippe Herzog, “A strong Union as a Link in a Global World”, *op.cit.*

swallowed, but will also probably ridicule Lisbon in manners that will continue to feed the step-by-step corrective approach, thereby furthering integration.

A major roadblock, however, makes it less than certain that the previous logic of acrimonious steps towards greater harmony will succeed. A ruling by the German Constitutional Court of June 30, 2009 creates significant doubts indeed that the euro-enthusiasts can overcome the shortcomings of Lisbon through one more Treaty in the Monnet tradition—or at least raises the bar significantly for such initiatives to succeed. While establishing that the Lisbon Treaty was consistent with German law, the June 30, 2009 ruling explicitly bars a whole set of new transfers of sovereignty by Germany to the Union, short of a revision of the German Constitution. Possibly making too much of the fact that the European Parliament tends to work by consensus rather than through the opposition between a government party and an opposition party, the German Constitutional Court states that it does not recognize the European Parliament as a genuine legislator representing the will of a single European people. Looking to future steps towards an ever closer union, the Court also preemptively reserves sovereignty to Germany in criminal law, police, military operations, fiscal policy, social policy, education, culture, media and relations with religious groups.⁶⁴ True, the reserved domains thus listed can easily be included in those that should be addressed at the national level under the European doctrine of subsidiarity. Yet some of them are among those from which a ‘citizens’ Europe’ could emerge. Advocates of European integration for instance look at education as one of the fields in which to foster a sense of European belonging.⁶⁵

Drafting a new Treaty, however, is not the only way that could lead to a new institutional balance for Europe. Unseen by most observers, a whole set of practices has developed over the years to adapt to the working of European institutions. Unlike the long-since stabilized U.S. democracy, which evolves through the very time consuming constitutional amendment process, the European institutional system is continuously evolving, even if incrementally. Once the very symbol of the intergovernmental dimension of European decision-making, the Council for instance has evolved towards employing a more collective and supra-national approach that may now be significantly reinforced by the application of the Lisbon Treaty.⁶⁶ Hence the paradox that the EU of 27 is making decisions faster and on a broader range of topics than the supposedly easier to govern EU of 15.⁶⁷

⁶⁴ See for instance Wolfgang Münchau, “A damning verdict for European unity”, *Financial Times*, July 13 2009, p. 7.

⁶⁵ See for instance Odile Quintin, “Towards a European Policy for the Development of Human Innovation Skills”, *Looking for the European Interest*, A collective work directed by Philippe Herzog, Confrontations Europe, Paris, 2008.

⁶⁶ As brought to light by Ana Mar Fernández, the EU Council Presidency has “undergone an important internal mutation” intended to improve the efficiency and the continuity of the Council’s work by resorting to “innovative formulas such as stable presidencies, *super partes* and the collective planning and scheduling of Council activities.” See Ana Mar Fernández, “Quel est le pouvoir d’une Présidence européenne » in *Que fait l’Europe?*” *op cit*, p. 59.

⁶⁷ Dehousse, Deloche-Gaudez, Jacquot, *op. cit.*

Whether the Union as a whole can resume its long march towards a fully integrated external policy may therefore depend less on a new treaty than on the capacity of the European institutions to further adapt. The challenge is to evolve decision-making processes combining Europe's unusual talent at making and accepting supranational decisions with the increased assertiveness that can come from the incomplete, yet impressive emergence, of a European 'public space' discussed above. In particular, European institutions must foster the emergence of a clearer sense of who is European and who is not—which one would assume would be a natural condition for a fully fledged external policy above and beyond Europe's attraction to the universal. A greater role for the European Parliament in strengthening Europe's public space is an important condition for the People's agenda to begin playing the steering role, as opposed to the role of "second fiddle" it assumed in the previous decades. While the Kantian scenario of universal peace should always be kept in mind, the wave of sovereignty affirmation that has followed the great crisis of security and trust of 2001 make it a distant possibility at best. Having to develop the single foreign policy beyond Lisbon's common policy could provide European patriotism with a less abstract foundation than the present combination of a hard to understand, 80,000 page economic integration process and of universal causes.

3.4 The Brussels and Atlantic Agendas: Towards a More Productive, More Mature Balance

As a post-Lisbon Europe endeavors to develop a fully fledged external identity, the Atlantic agenda and its relation to the Brussels agenda will assume greater relevance in shaping Europe's integration effort. Having operated for so long in the comfortable yet slightly schizophrenic position of being both universalist and inward-looking, Europe will have to look at itself through the eyes of others and will have to do so in the context of the less-than-fully enlightened society of today's interdependent sovereign states. Simultaneously, the U.S. will have to take full measure of how much of its power resources have been wasted in the previous decade and how dysfunctional some of its foreign postures have therefore become—notably the subordinate status it assigns to 'Brussels' in the US' clever yet not-so-clever approach to the world order as a hub-and-spoke set of separated regional relations.

From an Atlantic perspective, and leaving aside what is under the purview of NATO, the context for a European external energy policy is currently defined by the three broad policy arenas in which Europe is widely counted upon to make a difference. Ranking them beginning with those for which the role of Europe is most central, the objectives associated with these three policy arenas are of a regional, macroeconomic and environmental nature:

- First, the Union is credited with an irreplaceable *regional* role in promoting political stability and economic progress in Eurasia. That role includes providing an anchor of stability for the Balkan region but also for Turkey and Ukraine through enhanced relations that many in Washington, for lack of a

deeper understanding of what 'Europe' really is, find easier to think of as implying an enlargement of the EU itself. It also includes contributing to relations with Russia in ways that foster energy security in Eurasia and leave the U.S. the upper hand for orchestrating the US-Russia policy trade-offs of global significance.

- Second, Europe's macroeconomic and financial role translates into an agenda that presently revolves around responding to the financial crisis, absorbing an inordinate share of the world's exports through an overvalued euro, supporting key international initiatives, and contributing to the reform of international economic governance by acknowledging the growing role of emerging countries and providing Asia with the voting rights that the U.S. itself is less inclined to give up and transfer.
- Third, Europe is acknowledged to be a key player in the search for a global post-Kyoto regime. From a U.S. perspective, however, the planetary nature of the climate challenge is not seen as calling for a planetary, i.e. supranational, system of governance. The EU's unique experience in applying the Kyoto Protocol framework does not give Europe much clout, as the U.S. is not a signatory and is most unlikely to ever become one.

By contrast, while encompassing the same items, the Brussels agenda places the fight against climate change at the top of its priorities. This reflects not only the intrinsic importance of climate issues but also, one may suggest, Europe's search for a global governance supported by institutionalized commitments and processes—*à la Kant*—and not merely by *ad hoc* coalitions. Combined with the relatively small share of carbon emissions that Europe accounts for, the realities of international negotiations on climate change, however, expose Europe to the risk of seeing universal values turned on their head and used to treat Europe as if it were morally indebted to countries that neglect such values. The more subtle issue at stake, however, is the degree to which Americans can understand how much they have to gain, when their power relative to China is still high, from the development of global institutions as opposed to the *ad hoc*, opportunistic arrangements which their instinct makes them perceive as superior.

Leaving aside Europe's role as funder of good causes, the definition of an external energy policy vis-à-vis Russia will be the other major issue calling for a rejuvenated division of labor between Europe and the U.S. The Obama Administration's efforts to reset relations with Russia provide an opportunity for Europe to concentrate on what is probably the most challenging question in its present integration efforts: namely, speaking with one voice to Putin, or, in less metaphoric words, articulating a single European perspective out of a complex set of national and market interests. Doing so will require however that Europe outgrows the regional perspective that informs the Atlantic agenda and division of labor on this matter.

3.5 Climate Change: Europe in the Prisoner's Dilemma Trap

Venus is relevant to European politics not only as Robert Kagan's symbol⁶⁸ of a pacified, if not pacifist, worldview, but as the red-hot planet that Europeans do not want planet Earth to become. Preventing the global climate from exceeding an increase of two degrees Celsius average temperature, as tentatively agreed in the Copenhagen Accord of December 2009, looks like the policy objective that would best lend itself to the European approach of pooled sovereignty. Yet, in addition to fundamental divergences in European and American views regarding the prospects for pooled sovereignty, the same issue also brought to light the pitfalls of assuming that "universal values" will foster the adoption of a cooperative policy stance by all concerned and make traditional quid-pro-quos unnecessary.

Few would challenge that Europe was the driving force behind what emerged from the Rio and Kyoto global negotiation processes. The EU is credited with operating the only Kyoto-period binding Emission Trading Scheme (ETS) and with providing the billions of dollars that have given life to the Clean Development Mechanism (CDM) and Joint Implementation (JI) mechanism. European countries have begun establishing carbon taxes to complement the cap-and-trade mechanism. The strong support given to international climate negotiations by the Obama Administration were expected to increase the relevance of Europe's track record of foresight and determination. Reflecting a tamed down view of such convergence, Europe's tactical decision to not make the Kyoto Protocol a key reference for the Copenhagen Summit⁶⁹ began to blur the lines. The concluding episode in the negotiations illustrated both the merits of the more pragmatic U.S. taste for negotiations among a small group of principals as well as, unfortunately, the loss of U.S. status that led India and China to let lower level politicians handle these interactions. After a preparatory process that was largely a dialogue of the deaf⁷⁰, Europe and America clearly missed an opportunity to reflect on how they could act together in ways leading to more impressive results than a five page paper with no clear legal status.

Policy leadership needs to be based on some broad agreement regarding the nature of the issues at stake and of the possible remedies. In today's Society of Interdependent Sovereign States, since it fails to elicit followers from the quarters that really matter, Europe finds that its undeniable leadership in addressing global issues leaves it not with a surplus of 'soft power'⁷¹, but with a deficit of influence.

⁶⁸ Robert Kagan, *op. cit.*

⁶⁹ Christian Egenhofer and Anton Georgiev, The Copenhagen Accord: A first stab at deciphering the implications for the EU, *CEPS Commentary*, Brussels, 25 December 2009.

⁷⁰ See the interview of Philip Gordon, Assistant Secretary of State for European and Eurasian Affairs by Corine Lesnes in *Le Monde* "Washington appelle l'Europe à partager les responsabilités », October 13 2009, p. 1 and 8. Having to deal with two wars, one financial crisis and a high-stake, divisive debate on health system reform, President Obama was not in a position to elevate the climate issue to the level Europeans had imagined he would.

⁷¹ Joseph S. Nye, *Soft Power: The Means to Success in World Politics*, Public Affairs, Perseus Group, 2004

Even capturing the moral high ground on the climate issue turned out to be less straightforward than Europe had assumed. Europe's position was already weakened by academic analyses that put purity on issues such as 'additionality' of carbon-emission reductions before considerations of political feasibility, and that suggested that neither the EU ETS nor the CDM had performed as expected. Then, climate-skeptics used pirated East Anglia University's email addresses to suggest that a conspiracy had tilted the scientific debate in favor of exaggerated views of climate change. Kantian Europe was at pains to deal with less-than-universal views of the good and the bad, the more so as Machiavellian Europe used the opportunities provided by the Copenhagen COP to advance their own set of interests in ways bordering on cynicism. Free-rider countries led by China and India turned Europe's generosity into the moral equivalent of an admission of guilt, endeavoring to maximize the rent they could capture. In the Chinese view, the UNFCCC is little more than an IOU from Annex 1 countries that can be mobilized towards Chinese efforts to generate "CDM cash flow" and gain industrial leadership in wind, solar and other alternative energy sources. Meanwhile an African country that African Union peacekeepers have to prevent from carrying out genocide against part of its own population led an African coalition to belittle Europe's contribution in the name of what the world community owes Africans. Clearly, this was not the best start towards Immanuel Kant's universal peace.

The ongoing climate negotiations have all the features of a Prisoner's Dilemma's game, and Europe's diplomacy of universal causes is poorly adapted to playing such a game to its advantage.⁷² EU climate-change mitigation policies are likely to survive even a major failure in international action because, for most Europeans, preventing harmful climate change has become the cornerstone of a broader set of environmental, lifestyle and global development issues. Yet even unilateral 'carbon disarmament' cannot translate into lasting European leadership on climate issues, as the Union barely accounts for 13% of world greenhouse gas emissions.⁷³ Europe is too clean already to matter much to the global carbon balance—which should make the specific balance of advantages gained or lost at the negotiating table even more important for European negotiators, but does not.

⁷² The prisoner's dilemma's matrix is one in which each player can choose to cooperate or not. The win-win box is that in which all cooperate - in this case by agreeing to a binding, ambitious limitation of each country's emissions. The lose-lose box is that in which all players pursue what they consider to be in their best individual interest in a non-cooperative world, in this case accelerating the climate catastrophic climate change. The other boxes are those where one of the player opts to cooperate and the other not to, leaving the second player with the benefits of the first player's efforts without having to incur the costs of cooperation. China and a large number of developing countries start from the non-cooperative stance and ask for subsidies to evolve their positions in a manner they continue to control. Europe by contrast makes it clear that it will not be a free rider, depriving itself from the essential threat of non-cooperation that is indispensable to not being taken for a ride and to the win-win solution having a chance of emerging. Hence the importance for Europe to introduce a credible 'non-cooperative' option, as we and other like Egenhofer suggest to do with border adjustments. For a presentation of the Prisoner's Dilemma game and of the merits of a tit-for-tat approach, see Robert Axelrod, *The Evolution of Cooperation*, Basic Books, 1984, pp.10-19.

⁷³ Under the IEA 'reference Scenario', which includes all policies announced before Copenhagen, Non-OECD countries account for all of the projected growth in energy-related CO2 emissions to 2030, with 6-Gt of the 11-Gt increase coming from China, 2-Gt from India and 1-Gt from the Middle East. OECD emissions are projected to fall slightly, due to big improvements in energy efficiency in the longer term as well as to the increased reliance on nuclear power and renewable, See IEA, *World Energy Outlook 2009*, p. 195.

As a new Commission takes over, with a Commissioner for Action on Climate Change as a powerful player, Europe would be well advised to adapt its post-Copenhagen negotiating strategy to the Prisoner's Dilemma nature of the game being played. Leaving China with the choice between "Europe cooperates and we cooperate" vs. "Europe cooperates anyway and we defect" is akin to writing free-riders a blank check. To begin with, a more sophisticated view of the so called 'responsibility' issue is necessary and industrialized countries need to re-inject some common sense in the debate of who owes what to whom. Short of a Kantian approach in which all share towards the win-win, Europe should observe that mankind had begun modifying the earth's climate well before the industrial revolution, when Europeans began burning and clearing forests and the Hans began flooding Central China's plains to grow rice. With the earth in a cooling stage of the natural climate cycle, much of the warming impact that mankind had until the last century was positive and not negative, as it is now portrayed to be. No one should be held guilty for activities that ended up delaying the return of the next ice age. Though the industrial revolution is when the line began to be crossed in terms of emissions negatively affecting the climate, this revolution had not one, but scores of implications, most of which have been largely positive—including for the countries that can now catch up economically, as the Asian tigers did in the 1960s and as China and India are doing, now that they have removed some of the self-inflicted constraints that had kept their populations in poverty in the name of the Shining Future of Communism (Mao's China) or of Soviet-inspired national planning and bureaucratic control (India). The industrialized countries are making a huge contribution to the economic growth and alleviation of poverty in the late-comer countries by providing them with markets for anything from toys to call-center services and home computers, not to mention poorly-enforced IP rights. For the late-comers to play victims is to ignore that the pound of flesh of technological progress and well-working markets and the pound of blood of past carbon emissions cannot be separated any more than they can be in Shakespeare's *The Merchant of Venice*. The notion of "shared but differentiated responsibility" can only be based therefore on humanitarian consideration for the poorest countries, certainly not for countries that have accumulated trillion of dollars in reserves from a combination of access to foreign markets and protectionist trade and/or monetary policies.

Altogether, until now, the clearest benefit for Europe for pursuing ambitious policies in the field of climate change has been the opportunity it offers to communicate to the European citizens themselves that Europe is based on values that they can relate to. Internationally, however, the European effort in support of the planetary win-win has illustrated how little followership exists for global governance based on more than national sovereignties. Europe should reflect on how unique its view of sovereignty remains and how little of it can be shared, or even leveraged in the UN setting.

The contrast drawn by Robert Cooper between pre-modern, modern and post-modern states⁷⁴ leaves Europe in the uncomfortable situation of being the one post-modern

⁷⁴ Robert Cooper, The post-modern state and the world order, *Demos*, 2000 pp.7-41 and "Re-Ordering the World: The long-term implications of September 11th", *Foreign Policy Centre publication*, April 2002.

player in a modern game of Prisoner's Dilemma.⁷⁵ The emergence of a single European foreign policy—beyond the diplomacy of universal causes that has served as a useful partial substitute—should be the opportunity for Europe to give its own economic interest as much prominence as other key countries are doing. While such a policy stance does not lend itself to the same tear-in-the-eye pronouncements as the present policy, the Machiavellian element that it includes is necessary to incentivize countries that emit far more carbon than Europe to take steps beyond what they would do otherwise.

3.6 Relations with Russia

While climate change mitigation represents a type of new agenda on which Europe would like to make a difference, the second key item calling for a single foreign policy stance beyond the Lisbon's common foreign policy has to do with the definition of a European stance vis-à-vis Russia. Such a stance is essential to notably the definition of an external energy policy. Until now, there has been something defensive and uncoordinated in the approach of the EU, EU member countries and the U.S. towards relations with Russia. The new context created by the Obama administration's effort to "reset" relations with Russia, and the availability of abundant and cheaper supplies of natural gas from other sources, provides a window of opportunity for Europe to take a fresh look at this very important relationship.

Previous attempts at laying a foundation for cooperative relations with the Russian Federation in the 1990s saw the Union promote the sort of win-win approach based on deeper integration with which it is most comfortable. A Russia-EU dialogue was put in place and some began reflecting on the possibility for Russia to someday become an EU member. The signing of the Energy Charter Treaty in 1994 was seen as a first step in promoting convergence towards a set of common norms, with Eurasia the only region to put in place such a multilateral investment treaty and the EU acting as a leader in this process. An organization bringing more than 50 countries together, the ECTO, was created with the hope to provide a catalyst for regulatory convergence and, at the very least, a framework for a process of dispute resolution that would remove the political risk out of investment in most of the Eurasian region.⁷⁶ Yet the ECT proclaims the primacy of sovereignty and national rules, which makes the ECT norms the highest common

⁷⁵ As observed by Robert Axelrod, "the problem is that in a world of unconditional defection, a single individual who offers cooperation cannot prosper unless others are around who will reciprocate. On the other hand, cooperation can emerge from small clusters of discriminating individuals as long as these individuals have even a small proportion of their interactions with each other. So there must be some clustering of individuals who use strategies with two properties: the strategies will be the first to cooperate, and they will discriminate between those who respond to the cooperation and those who do not". Axelrod, *op. cit.* p. 175.

⁷⁶ The ECT provisions include (a) investment protections intended to create a "level playing field" and reduce to a minimum the non-commercial risks associated with energy sector investments; (b) trade provisions consistent with WTO rules and practice; (c) obligations to facilitate transit of energy on a non-discriminatory basis consistent with the principle of free transit; (d) energy efficiency and environmental provisions which require states to formulate a clear policy for improving energy efficiency and reducing the energy cycle's negative impacts on the environment; and (e) dispute resolution mechanisms for investment related disputes between an investor and a Contracting Party or between one state and another as to the application or interpretation of the ECT. Source: OGEL, October 2006.

denominator rather than a common set of rules and which did not promote economic integration as had been initially envisioned.

Former ECTO Undersecretary General Andrei Konoplyanik has stressed that two reasons can explain why the hoped-for level playing field for Eurasian energy investment began to look to the Russian party as an unlevelled field.⁷⁷ First, the Eastward enlargement of the EU, including to the three former USSR Baltic Republics, meant that ECT rules would lose much relevance for Europe up to the Eastern Polish and Baltic borders and now apply, at least in theory, to what used to be intra-USSR and intra-Comecon relations. The growing rift between the Russian Federation and its CIS partners, including politically aligned Belarus, implied that even in this limited sub-region, the dispute resolution mechanisms of the ECT were of little help, as the Russians seemed surprised to discover after the escalation in their conflict over natural gas with Ukraine. In addition, the ECT guidelines lost their role as a common benchmark when the EU eventually agreed to subject energy to its internal market rules and began to liberalize its market in natural gas through the 1998 Directive. The latter was closely patterned after the 1996 Directive liberalizing the electricity market and reflected the since then disappointed hope that the production of natural gas could be fostered through competition at the consumer level. This parallel between electricity and natural gas markets was maintained in the 2003 Directive and culminated in rules to compel gas operators to ‘unbundle’ their transportation asset as if that were the essential obstacle to a competitive market in natural gas. Unlike the U.S. gas market, and unlike what the British market was beginning to look like before British gas production began to rapidly decrease, the European market for natural gas is shaped by conditions of access to upstream resources in foreign jurisdictions—most notably the Russian and Algerian ones. Even Norway, an EEA member but not an EU member, now sees its own production decrease. Hence the need for large scale investments in production and transportation facilities outside of the EU and EEA, an investment effort that the EU could possibly influence through a well-thought-out external policy rather than through inward-looking rules that assume that key players abide by the same rules, which is not the case in Eurasia.

In the words of Jacques de Jong & Coby van der Linde, the EU was of the view that “*international markets would become a dominant and efficient way to connect demand and supply in the world. With that expectation came the underlying assumption that private companies would be the main players in the international energy arena. This idea was mainly based on the expectation that the resources of the FSU would become available to the foreign direct investments of private international oil companies and that these companies would then be able to create a counterweight to the impending market power of the NOCs of the OPEC and some other countries, where IOCs could not access new reserves.*”⁷⁸ Not only did that prove untrue, but, in Dmitri

⁷⁷ See Andrei Konoplyanik’s contributions to the Energy Charter website, <http://www.encharter.org/index.php?id=333>.

⁷⁸ Jacques de Jong & Coby van der Linde, “EU Energy Policy in a Supply-constrained World”, Swedish Institute for European Policy Studies, p.5.

Trenin's words, Russia "*resisted the pull of the European Union's normative empire.*"⁷⁹ This is not to say that Russia would not gain immensely from adopting at least some version of Third Party Access (TPA) for its gas pipelines—as this would give independent producers and oil companies an outlet for gas that they are now compelled to flare in truly massive quantities. Yet the situation in Russia is such that the strength of Gazprom and the coalition of private interests around it have prevented the modernization of a Russian regulatory system inherited from the Soviet era distinction between oil and gas ministries and state control over gas exports.

The tensions with Russia that a single European foreign policy would need to address have multiple origins, including deeply harbored suspicions on the Russian side regarding any foreign involvement in the development of Russian natural resources.⁸⁰ Russian misgivings about 'Europe' are also significant, as are Russian difficulties in adopting a win-win perspective, not to mention even a Kantian one, when its instinct is to suspect foreign plots: "In Russia," observes Bobo Lo, "*military power, territorial issues, threat perceptions, and notions of strategic balance have assumed a prominence unmatched anywhere else on the planet.*"⁸¹ Yet blaming all tensions on what Marshall Goldman has described as the Russian 'petrostate'⁸² can only foster the downward spiral of mutual suspicions and prevent the gradual process of Russia and Europe improving their understanding of each other from developing further.

While the West has come to look at the dismantling of the U.S.S.R. as a normal event from which all perceptions should be reset, Russians can be excused for remembering that the U.S.S.R. had invested heavily in developing an integrated pipeline network that carried Russian gas up to the Austrian or Western European borders. The fragmentation of this network is hard to accept as it exposes Russia to the bargaining and nuisance power of transit countries. The existence of such perceptions makes relations over natural gas a foreign policy issue rather than a purely economic one, as perceived by the drafters of the European energy directives packages (in large part DG COMP). The notion that the market simply takes over from Soviet-era domestic and external policies borders on wishful thinking. Yet DG COMP has basically selected the business model it sees as legitimate for relations with Russia, by requiring that gas companies divest from their transportation assets, when Gazprom is adamant on not doing so, and by banning the long-term contracts that have been essential to infrastructure development. In Catherine Locatelli's words, "*it is worth noting that the liberalization of markets and the ban on long-term contracts are two separate things, bound only by the fact that the European Commission considers long-term contracts to be detrimental to competition.*"⁸³

⁷⁹ Dmitri Trenin, Carnegie Moscow Center, "Toward A New Euro-Atlantic 'Hard' Security Agenda: Prospects for Trilateral U.S.-EU-Russia Cooperation", p. 3

⁸⁰ "Russian resources are a God-given that should be used effectively... Somebody is always wanting to take them away." Deputy Prime Minister Igor Sechin, interview to world media, *Wall Street Journal*, March 31, 2009, p. 3.

⁸¹ Bobo Lo, *op.cit.*, p.72

⁸² Marshall I. Goldman, *Petrostate: Putin, Power, and the New Russia*, Oxford University Press, 2008.

⁸³ Catherine Locatelli, "EU Gas Liberalization as a Driver of Gazprom's Strategies?" *Russie.Nei.Visions* n26, *GPPi Policy Paper No. 7: European Integration and the Development of a European External Energy Policy in 32 Eurasia*

The combination of real-politik and open-mindedness needed to relate to Russia as neither a market-driven entity nor a petrostate is likely to require a more pragmatic stance in which competition law does not end up becoming the external policy by default. In turn, external policy will require Machiavellian rather than Kantian diplomatic skills on the part of the EU. Because this requires both a new balance of power within European institutions and a more pragmatic external stance, this will be a major test of Europe's capacity to put in place the post-Lisbon external policy; the more so as Europe controls only some of the parameters on which Eurasian relations depend and cannot hope to establish much of a balanced relation outside of close cooperation with the US. As observed by Bobo Lo, the present Russian leadership "[...]understands that Washington remains the decisive actor in nearly everything that affects Russian interest".⁸⁴ Under the Bush Administration, the problem in this respect was a two-tier U.S. policy agenda in which Washington would concentrate on the positive role of engaging Russia on a small number of high-politics issues including arms control, the fight against proliferation and terrorism, relations with Iran and North Korea and, of course, stabilization of Iraq and Afghanistan. While Russia was counted upon to mobilize its diplomatic resources in support of the U.S. towards these world-order objectives, it was not acknowledged as an equal political partner and, in practice, was not trusted as a long-term American economic partner. This left Europe to pursue a scaled-down version of containment on matters of energy dependency. The disappointment that greeted Europe's performance in this respect could be described as a failure by Europe to play its role in what was at the time an Atlantic 'good cop, bad cop' number. Europe's failure to provide the proper set of economic incentives and disincentives was easily blamed on individual EU-member countries like Italy and Germany that were involved in Russian pipeline developments. But overarching principles on which to reconcile a long history of good relations between these countries and Russia with the U.S. 'good cop-bad cop' policy was missing.

3.7 A New Era in Eurasian and Global Relations over Natural Gas

While the definition of a single foreign policy vis-à-vis Russia remains very challenging, Europe can take some comfort in the fact that the Atlantic agenda now provides a rejuvenated, positive context for the governance of energy relations in the region. Contrasting with the tense situation of 2006-2009, this new context includes a 'reset' U.S. policy stance, concerns about 'natural gas security' that have been assuaged by reduced demand and a plethora of unconventional American gas, and a more sophisticated approach to energy risk management on the part of Europe itself.

The Obama Administration's effort to 'reset' relations with Russia has reduced the divergences of views between key continental European countries and the U.S. regarding the risks associated with dependence on Russian gas. Washington's all-out opposition to

February 2008, p. 11.

⁸⁴ Bobo Lo, *Vladimir Putin and the Evolution of Russian Foreign Policy*, The Royal Institute of International Affairs, Russia and Eurasia Programme, Chatham House Papers, Blackwell Publishing 2003, p.103.

the Nordstream and Southstream pipelines has been replaced, in the words of Richard Morningstar, the U.S. Special Envoy for Eurasian Energy under the Bush Administration, by an effort ‘to engage Russia constructively’.⁸⁵ This evolution in U.S. policy happens at a time when a set of obstacles that stood in the way of the pipeline projects dear to Russia have been removed through successful negotiations between Russia and countries like Finland that were in a position of exercising a *de facto* veto right. What was recently still an opposition between Russia, Italy and Germany on one side, and the US, Poland, the Baltic countries and the “Nabucco camp” on the other side has now been replaced by a more flexible constellation of interests, with groups like the Paris-based European utility EDF ready to forego the benefits of lower spot prices for gas if they can assume a significant share of the Southstream project.

At the same time, the EU has drawn lessons from the Russia-Ukrainian crises over the transit of natural gas and has identified how common endeavors, such as helping Ukraine modernize its pipeline, can benefit Europe and could create a stronger platform for negotiation with Russia. The inability of Ukrainian leaders to articulate a common and transparent position on gas transit issues has certainly been a catalyst in this respect, but the Russian efforts to turn financial leverage into a reconstitution of the integrated CIS pipeline system also triggered Europe’s offer to take care of the modernization of Ukrainian pipelines, an offer that could be open to Russian participation. The EU is now aware that transit countries rather than producer countries are those that tend to turn energy into a “weapon” (to use the usual yet unsatisfactory metaphor), hence the EU’s clearer acceptance that risk management must involve diversification of routes as well as diversification of sources. From this perspective, bypassing Turkey via Southstream can be part of the same portfolio of risk management tools as bypassing Russia through the BTC pipeline, Nabucco and the Turkey-Greece-Italy Interconnector.

Altogether, the year 2009 saw the emergence of a much more flexible configuration in which the U.S. as well as Europe approached energy security in technical rather than ideological terms, with expanded storage and interconnection of pipelines a welcome alternative to pipeline wars. To quote U.S. Special Envoy Richard Morningstar again, this is a step away from the “*highly politicized ‘us vs. them’ discussion with the Russians*”.⁸⁶

In this new context, an essential question is whether Russia will make a sober cost-benefit assessment of the energy policy it has followed so far and of the opportunities that now exist for establishing a new type of relations with its Western partners. Russia may find it difficult to move away from an ‘us vs. them’ view of the world that has played a significant role in defining the Russian overall policy posture and that resonates with the Russian electorate. The suspicion with which Russians have looked at foreigners’ activities inside Russia, above a certain threshold at least, has always been very high—including in the Yeltsin era when production sharing agreements were

⁸⁵ Special Envoy Richard Morningstar as quoted in Guy Chazan, “Russian pipelines gets acceptance from U.S.”, *Wall Street Journal Europe*, November 27, 2009.

⁸⁶ *Ibid.*

agreed to but never fully accepted.⁸⁷ Many factors suggest, however, that this *aggiornamento* of Russian energy policy would be in Russia's best interest even if at the cost of a less emotional and gratifying approach to external relations. LNG is available under attractive conditions, as can be seen from the recent commercial agreements between Poland and Qatar; and the U.S. can now rely on domestic natural gas resources greatly expanded by the technological progress that make shale gas economic to produce. Energy security concerns can be addressed therefore in a more rational manner than tends to be the case in times of crisis. Should Russia decide to seize the moment, President Medvedev's proposal to establish a successor to the Energy Charter Treaty could be the starting point in articulating common guiding principles towards a genuine Eurasian energy community. Such guidelines would be established in a spirit of mutual recognition by combining key Russian principles—notably the longer-term, oil-indexed contracts that add significantly to Europe's cost of gas presently—with significant partial liberalization of the midstream and a significant decrease in the massive amounts of gas flared at great long-term cost to the Russian economy and to the planet. However, this would require significant modifications to the present straightjacket of competition law and mark-to-market accounting standards on the EU part, as well as a less interventionist stance so that business models can emerge from the marketplace rather than from competition authorities' discretionary decisions.

One can think, however, of many reasons why Russia may opt not to seize these opportunities. If this were the case, the EU should take a broader perspective on risk management, seeking to achieve the level of diversification of gas sources beyond which gas-to-gas competition could gradually displace the long term, oil-indexed contracts currently defining Eurasian gas relations. This non-cooperative policy option should be laid out with sufficient clarity to counterbalance Russia's Machiavellian instincts, strengthening the European hand much more than was ever achieved through plans for Turkey-transiting alternative pipelines of the Nabucco type which were almost a distraction in previous efforts.

The present context is one of the most favorable in a long time for the definition of an approach to energy security in Eurasia common to, notably the EU, the U.S. and Russia. The new U.S. administration is endeavoring to engage Russia and would have a lot to gain indeed from Russian support on a number of its international priority objectives. Russia is still powerful enough not to feel threatened, but has lost the reasons it had two years ago to feel complacent and exuberant about its power. Europe has put in place the instruments it needed to be able to 'speak with one voice' and also to manage the energy risk at the European level through an integrated natural gas grid and through a more sophisticated view of what risks really define energy security. What the European common foreign policy should be, however, still needs to be articulated in ways that emphasize mutual adjustment—within both jurisdictions. A more balanced and yet more

⁸⁷ See Albert Bressand, "Foreign Direct Investment in Oil and Gas : Recent Trends and Strategic Drivers", in *Yearbook on Foreign on International Investment Law and Policies*, Karl Sauvant and Jeffrey Sachs editors, Oxford University Press, 2009, pp. 170-176.

ambitious successor treaty to the moribund Energy Charter Treaty could be the catalyst for the development of a Eurasian Energy Community in which more rational approaches to resource development could take roots. One must, however, be very clear about the principles that such a community would have to adopt to bring more than a symbolic contribution to energy relations in Eurasia. The challenge for Europe would be to reassess some of its internal instruments in light of the need for a single foreign policy stance with its major partners and suppliers. Like the needed update in climate negotiations policies, and without requiring a new treaty, this would call for progress in defining the scope of European integration as well as in further tightening the links between the Brussels agenda, the people's agenda and the broader global agenda that Europe can best address in close synergy with the Atlantic one.

4. Conclusion: The European Union and the Society of Interdependent Sovereign States of the early 21st Century

Altogether the assessment of Europe's integration effort over the last six decades suggests that Europe is well on track to become a fully-fledged, and not just an 'ever closer' Union. The emergence of a European public space and the pooling of sovereignty on an amazingly large range of issues have clearly taken Europe well beyond the stage of a common market, creating a unique but powerful and resilient political construct. Yet, as we have seen, this resilience has been grounded in the capacity to further integrate as a pragmatic response to problems created by the previous stage of partial integration. In a benign international environment such as existed in the 1990s (and possibly as existed also when the Cold War made for a stable, predictable environment) the further progress of integration would have to do with the social sphere and the cross-fertilizing of various European social models that are much closer to one another than it is fancied to assume in London. The international environment however is transforming rapidly in ways that make many of the founding European principles more difficult to implement at the foreign policy level. The semi-failure of the Copenhagen Summit illustrates the risks for Europe of being a leader without followers except for various types of free-riders. Defining a common foreign policy under the consensual conditions set up by the Lisbon Treaty may well fall short of what is needed for Europe not to fight below its weight class on the world scene. The road ahead is steeper than is commonly assumed by those who lament the absence of a genuine European capacity to act internationally. Europe needs to find a way to play its cards in a world where enlightenment and generosity can be a double-edged sword.

The game theory perspective from which a few insights can be borrowed suggests that the European Kantian agenda must be embedded in a more sophisticated foreign policy posture that includes enough Machiavellian elements to prevent universal values from becoming another name for Europe's isolation and decline. The anxiety perceptible in some of the statements by euro-enthusiasts quoted in the first part of this piece must be understood as an anxiety about the world around Europe, and only by ricochet about European integration. Euro-enthusiasts confront the same challenge that faces American liberals when they become aware of the difference between 'doing good' and 'feeling good'. Being Machiavellian in support of universal values comes naturally to nations that still place national sovereignty at the apex of their value system. What we labeled the absence of European patriotism implies that Europeans will be more uncomfortable squaring that same circle. Europe, however, is powerful enough to be able to make a difference but not so powerful as it could do so without a more skillful effort to leverage the political weight of the Union as a whole.

The Russian Federation is one of the nations on earth less inclined to believe in altruistic sentiments, let alone placing them at the centre of its own policy. Articulating a set of external energy relations with Russia and with Eurasia that goes beyond the present

patchwork of special deals could be a fruitful training ground for the definition of the single foreign policy that Lisbon will show to be necessary above and beyond the common policy of universal values. By focusing on the personal qualities expected from the Union President and High Representative, the debate has missed the point. What is needed is not a Tony Blair-like leader but an institutionalized process to articulate foreign policy objectives in a way that is fully rooted in the whole Union's political fabric.

As suggested, the European Parliament may actually be an essential player from which to expect those discretionary decisions that would make the difference between a *common* foreign policy and the *single* European foreign policy. A realization on the part of the U.S. that it needs European support in the relatively messy international situations in which it has put itself would be another major ingredient, as long as the U.S. understands that it is precisely the capacity of Europe to take discretionary decisions – and to do so with a global perspective – that will make such support valuable, even if less easy to channel.

The challenge therefore is not just about devising a common external policy. As has been the case of all previous Treaties under the 'Monnet method' approach described above, the Lisbon Treaty has created yet another major integration challenge that will have to be met for the Treaty's deeper objectives to be achieved. In the spirit of European integration so far – and with the added tool of a common external policy that can make Europe more visible to Europeans themselves – the threefold challenge for the present decade is about unifying the inward-looking Brussels agenda, the value-driven People's agenda and the Atlantic agenda as a foundation for the EU's relevance as a unified global actor. Dealing constructively with the Machiavellian side of climate change negotiations, and engaging Russia, the U.S. and Eurasian countries in the definition of a Eurasian energy policy framework that is not a mere extrapolation of the EU internal market, will be the first tests of Europe's capacity to unify these three perspectives – thereby giving added significance to its broader integration.

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