

Reengineering EU Foreign Policy: Seven Key Issues

Introductory Note

On December 14, 2014, a group of eleven European Union (EU) foreign policy experts gathered at the Ministry of Foreign Affairs in Lisbon to discuss how EU foreign policy can be reformed. We were interested in the question of how foreign policy is produced and conducted, rather than the question of which foreign policy should be adopted. This group included former prime ministers and foreign ministers from EU member states, European Common Security and Defense Policy (CSDP) mission heads, European External Action Service (EEAS) officials, member state diplomats and former diplomats, think tankers, and academics.

The acute threat to European security and values with the Ukraine crisis brought foreign policy back on the agenda as a number-one priority following a period of inward reflection in the wake of the economic and financial crisis during the last few years. Every crisis is simultaneously an opportunity, so we were consciously trying to explore the ways in which the current moment might offer an opening to reenergize and rethink the European Common Foreign and Security Policy and its institutional structure. It has been noted that the Ukraine crisis coincided with a new institutional and political cycle at the level of the EU institutions. Here, too, we may find an opportunity, provided we are able to distinguish between immediate and necessary responses to the crisis at hand and a more structural reform of the foreign policy machinery.

If we think of a crisis as an external shock to a given system, then two different kinds of response may be conceived. First, the system as it stands may attempt to react and respond to the external environment using available resources. Second, the system may strive to reconfigure itself and adapt, changing in order to address the issues that made it vulnerable in the first place. We saw these two different responses in the case of the euro crisis. Bailouts were a way to respond in the short term. They were complemented with a reform of the euro-area architecture meant to address its most obvious insufficiencies. In principle, one should have the same approach to foreign policy crises. The Ukraine crisis is sufficiently disruptive to the status quo to force not only forceful responses in the short term but also an adequate investigation of how the EU foreign policy machinery may be reformed in order to increase its general efficiency in producing timely and appropriate strategies and policies. During the peak of the economic crisis, many spoke of the remorseless logic of the monetary union—meaning that it is essential to deepen integration and coordination on economic matters. It is possible that member states also realized the remorseless logic of Common Foreign and Security Policy and the need to reengineer EU foreign policy in order to face current and future challenges.

We gathered in Lisbon to discuss what is indeed missing, what actually works in EU foreign policy, and what needs to change. The discussion was carried out under a particularly stringent version of the Chatham House Rule. This report neither serves as a policy paper nor does it reflect the views of the Portuguese Ministry of Foreign Affairs or Carnegie Europe. The hope is to capture a good number of individual suggestions, as well as the general mood or spirit of the meeting.

— *Bruno Maçães, secretary of state for Europe, Portugal*

1. Scenario Outlook and Forecasting

It is important that policies be produced at the right moment if they are to be successful. The problem of foresight in foreign policy cannot be addressed unless we look at the full set of mechanisms and procedures by which foreign policy is formulated. Certainly, it would be unrealistic to expect the most exact forecasting methods, but no foreign policy apparatus will work well if it is not able to set up a full set of possibilities and scenarios for future developments, as well as possible responses. Does the Ukraine crisis represent a failure of foresight? It is impossible to answer this question without looking at how EU foreign policy works and its reengineering possibilities. For example, no one within the EU foreign policy machinery seemed able to anticipate that the Ukrainian president, Viktor Yanukovich, was not going to sign the Stabilization and Association Agreement until days before, and even at the Vilnius summit there was some hope that the issue could be solved then and there. It is easy to show that outside the EU, officials and policymakers were much more clearheaded about this—they had the same information but were better at forecasting. How is it possible that the EU didn't see it coming? This deficit probably has something to do with the weaker channels that EU foreign policy has with military structures. These channels are stronger at the national level, where foreign policy analysis can benefit from the specific military focus on unlikely scenarios and its less constrained thinking on the different ways in which a situation may develop. One way for the EEAS to increase predictability would be to commission a group of independent experts to write an annual European scenario outlook. Similar perhaps to a U.S. National Intelligence Estimate, it would highlight key risks and threats to the EU, forecast future developments, and draw possible responses to different scenarios. We need to build an adequate trail of formalized forecasting exercises, so that the process as a whole can be evaluated in response to future developments and improved accordingly. An annual document of this sort could provide both the framework for a scenario-building exercise and the critical eye with which past exercises need to be assessed.

2. The Foreign Policy Value Chain

If we think of foreign policy as a production chain, then one of the most obvious problems with EU foreign policy is that it uses too many finished components. What it receives as input from national capitals has already lost all malleability. In order to see this, it is useful to remember that there are arguably three types of approach that member states take. First, there are those countries where foreign policy lost any kind of urgency, and they therefore look to the EU as a stage where they can express their views on foreign policy issues that for some reason have come to interest them. Second, other member states, more clearly on the fringes of the European peace zone, have foreign policies more or less centered on the specific threats or issues they face and see the EU primarily as an instrument to magnify their influence and obtain international support. Third, the larger member states have responsibilities, networks, and capabilities that go beyond the EU level and therefore regard EU foreign policy as a toolbox, among many other international fora, which can be used to pursue their autonomous agendas. In all these cases, the EU is a place where you go to use readily accessible foreign policy instruments, but not a place where foreign policy is shaped. EU foreign policy has to be built from disparate components,

which in many cases the EU received fully finished from member states, and at this point it may prove impossible to assemble them together. When foreign ministers come together in the Foreign Affairs Council (FAC), they show up with their own information and intelligence gathered by their own embassies and intelligence services, but there is no collective basis for the discussions. The success of the EU is full ownership. We should be open to closer cooperation with capitals. In order to start addressing and reducing the gap, perhaps the EU should consider trying to institutionalize or formalize small teams of foreign ministers that would work with a mandate from the FAC for a sufficiently long period, which could be renewed or canceled. Each group would have an issue or a particular geographical region to deal with. You could have a country that has strong geographic or historical ties with the region and that country could take a sort of a leading role; then you have another country that has no such ties, which can stimulate useful learning processes. This way, you would build trust because these small teams would of course have to report to the full FAC, but they would have more executive capacities and help fill the space between national foreign policies and the EU common foreign policy.

3. Machiavellian Tools

The EU has no more than two foreign policy tools that do not rely on the other side's willingness to comply. One tool is economic sanctions, which is a function of trade policy, and the other is competition policy. Both of these are based on our market strength. Other than this, even with CSDP missions and with enlargement—which is the EU's biggest strategic tool—the EU is reliant on the other side to play along. There are no Machiavellian, coercive tools beyond sanctions and competition policy, but in another sense of the word even these are not Machiavellian at all. They work slowly, over the very long term, by shaping the general framework of rules for economic agents. They are based on regulatory rather than executive power, but ordoliberalism is not always a valid approach to foreign policy. We are good at long-term transformation as we have seen with the success of enlargement over the years, but we are very bad at crisis management as we have seen with some of the particular challenges in our Eastern and Southern neighborhoods. The question is whether it is pointless to hope for genuinely Machiavellian tools and instead accept the reality that the EU will not be a coercive power and will remain subject to the always uncertain willingness of the other side to play along. At the present moment, our best hope seems to be to increase the uses and flexibility of those Machiavellian tools we do have: our market strength should be more responsive in the short term. It is possible to preserve its structural impact while increasing scalability, response time, and reversibility in order to better address short-term developments. This is particularly the case when it comes to economic sanctions.

4. Money Is the Sinews of Foreign Policy

More thought is needed on how to incorporate less traditional foreign policy elements, such as trade and development, into more traditional foreign policy goals. For example, development policy is treaty-based and focused on alleviating poverty, which so far has been narrowly interpreted. Development policy does not need treaty change; it merely needs a broader interpretation of poverty alleviation to include issues like good governance and security, which are also fundamental in the fight against poverty. This way, the EU would be less constrained in using development as a foreign policy tool. There is also an institutional dimension here. The EU is extremely bureaucratic when it comes to the use of funding for aid and other purposes. By comparison, countries such as Norway, Canada, and Australia are able to delegate to the local level and trust their ambassadors with a margin of discretion. Basket funding in Norway is a very effective system in this regard. There is an envelope and within that envelope, taking into account the very volatile situation, officials can better adapt to a changing reality. In the case of the EU, sometimes we see a very good and well-informed head of mission, but he cannot do his job in a proper way because there are all these rules and reporting systems that have to be applied. For example, it is true that the EU reacted quickly to developments in Moldova over the last two years, but it reacted quickly

with measures that are essentially administrative, legislative, and regulatory. Quotas on key exports to the EU market have been increased in Moldova, but Moldovan authorities complained that they could not fill the quotas because they do not have packaging and freezing facilities, so they cannot swiftly increase the volume of their exports. How do you solve this? Someone has to be able to make the decision of immediately extending financing to build packaging facilities and do it in a period of weeks. Working to create the right business environment is a crucial policy goal but one that cannot be accomplished in short order, so it needs to be combined with a more activist approach.

5. Chefsache

So far, the European Council has dealt with foreign affairs almost exclusively in crisis mode. If things are sufficiently urgent, they will arrive at the European Council. But sometimes what is most important is not necessarily what is most urgent. The European Council should be used to give the necessary impetus for the development of foreign policy instruments and strategies—for instance, on regional strategies and other issues where you need the member states and institutions to work together. This needs to be put on the policy agenda well in advance, so that it becomes easier to harmonize key messages and operate in a more concerted way. While it is no doubt true that heads of state and government are often formed by domestic politics and preoccupied with a heavy and fast-moving internal agenda, the European Council certainly has the right resources to focus on long-term strategic issues. There are early indications that we may be moving in this direction. For example, Donald Tusk, president of the European Council, got very involved in having a strong message on the Transatlantic Trade and Investment Partnership (TTIP) in the December 2014 council conclusions—not because TTIP has the character of a crisis issue, but because it is important to settle on a decisive and concerted strategy well ahead of the curve. Similarly, the Riga summit in May posed a number of significant challenges, particularly in the area of visas and mobility, but decisive guidance from the European Council in the early months of 2015 averted the kind of inertia that so often ends up producing deep divisions among member states. A final example is our sanctions policy against Russia: economic sanctions will need to be reevaluated in the June 2015 council meeting, but some of the hard work of providing a general framework for this was achieved already in an earlier meeting and subscribed by member states in the March conclusions.

6. External Structure

A lot of the key elements concerning global stability are now under the purview of the International Monetary Fund (IMF) in interaction with other international financial institutions and with the banking systems. Looking at the current Ukraine crisis, it is a military crisis and a diplomatic crisis, but the financial aspects are going to determine the survival of Ukraine during the next crucial six months or so, as well as the terms of strategic relations with Russia. What goes on in the IMF, the European Investment Bank (EIB), or the European Bank for Reconstruction and Development is, in some respects at least, just as important as what happens in the FAC. We do not integrate these issues sufficiently; we do not always know what is happening in the Russian economy because these matters are often outside of what we do. And yet, in the European Commission we have the sort of institution that can easily link up with the IMF, the EIB, or, for that matter, the World Trade Organization or the Organization for Economic Cooperation and Development, with which it has quite a lot in common. Possibilities to work together in areas related to their core competencies should be fully utilized. The experience developed with the joint programs with the IMF after the global financial crisis shows both the challenges and the opportunities offered by closer cooperation. The European Union may bring to these institutions a political angle that they so often lack. More generally, we have centers of competence that are fairly impressive. For example, Frontex and Europol have a great amount of information and statistics on migration flows and on organized crimes, respectively; how-

ever, while some information runs into ministries of competence like ministries of interior or ministries of justice, it very rarely flows into ministries of foreign affairs. Likewise, information on infectious diseases held in the European Center for Disease Prevention and Control probably only rarely makes it to the EEAS. The EU must find a way of connecting these systems as we are sitting on massive amounts of information that might be a determinant for foreign policy but is somehow bottlenecked. In one word, foreign policy has an external as well as an internal structure. The former refers to the links between the foreign policy system and other systems that can impact foreign policy significantly.

7. Internal Structure

Unlike other policy areas in the EU, foreign and security policy is not technical; it involves strategic thinking, analysis, and diplomacy. The EEAS is composed of various structures, but the most important of all is the Political and Security Committee (PSC), which meets at the ambassadorial level as a preparative body for the council. While it does not have decisionmaking power, the PSC is the European Council body that deals with crisis situations and examines all possible EU response options for a given crisis within the single institutional framework. If some feel that the PSC has been somewhat downgraded, that may well be due to past misjudgments of how internal hierarchical chains ought to be designed. The EU needs to think harder about the PSC's role in preparing the FAC, particularly on geopolitical security questions. The PSC chairman could be taken up to deputy position to the high representative of the union for foreign affairs and security. That would, in turn, upgrade the ambassadors. Many times, PSC ambassadors don't have direct channels of communications to their foreign minister but transmit back to a relevant department in their ministry. By institutionalizing a direct and constant link to the foreign ministers, the PSC could be turned into a more efficient ancillary body of the FAC. More generally, institutionalizing a system of deputies, similar to the assistant secretary level in the United States, would draw a clearer line of responsibility for specific briefs. No one would now compare the managing directors to assistant secretaries in the U.S. system, but that is what we need so we have constant dialogue with different regions and regional spheres. The high representative will never have the time, but all this activity needs to be conducted on a higher level than happens at present. Likewise, the European Defense Agency (EDA) can also be given an elevated role. Recently, the high representative nominated a senior diplomat to be the new chief executive to the agency. In most member states, if you are a national defense official, you want to work in the North Atlantic Treaty Organization—that is where all the action is. In the future, the chief executive could instead be a heavyweight former defense minister that could become a CSDP deputy to the high representative. Because defense ministers don't have one formal council but instead meet at the executive board level of the EDA, nominating a former defense minister could also elevate the military discussions at the EU level.

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