

CHALLENGE EUROPE

# Yes, we should!

## EU priorities for 2019-2024

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# Rules first: The way forward for ‘shaping power’ Europe

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**MAIN RECOMMENDATION** ▶ Adopt a ‘rules first’ strategic approach to frame and guide Europe’s projection on the international stage.

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**WHAT TO DO:**

- ▶ Preserve and reform the transatlantic partnership as a central pillar of European security and an essential component of the future international order.
  - ▶ Invest jointly in Europe’s security to become more autonomous, effective partners within NATO and stronger security providers in Europe’s neighbourhood.
  - ▶ Make the extent and quality of EU-China engagement dependent on ability to achieve a level-playing field based on rules and reciprocity.
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The domestic legitimacy and international influence of the European Union (EU) largely depend on the EU’s ability to advance the well-being and security of Europeans. That requires governing globalisation and mitigating confrontation across multiple domains. Strengthening a rules-based international order is essential to achieving both objectives. Whether the EU will be willing and able to play in the top league of global shaping powers, alongside the US and China, will be critically important for the future of the international order and, therefore, for Europe’s own cohesion.

Over the next five years, the EU should adopt a ‘rules first’ strategic approach to frame and guide Europe’s projection on the international stage. This approach should harness the EU’s considerable rule-making power to both promote its interests and values and support multilateralism and partnerships on the global stage.<sup>1</sup> The EU has long aimed to advance international cooperation. This time, however,

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it is different. Recent developments point to a much more challenging strategic context for 'shaping power' Europe and call for a new level of commitment.

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## The risk of a post-multilateral world

Power shifts are leading to an international system that many define as multipolar. In fact, the distribution of power looks different depending on whether military, economic or technological assets are concerned. When it comes to the ability to shape the international order – the way in which a system works – the world seems to head towards a turbulent duopoly with the US and China as the two super-shaping powers.

The recent trajectories of the US and China feature both discontinuity in respective strategies and growing confrontation. The US is struggling to redefine its leadership in a system where it is, and going to be, less dominant than it was. China is rising while advancing a political-economic model, a worldview and a set of values that are very different from the West. While both the incumbent and the emerging superpowers are in search of a role, both of them have changed gear in the last couple of years.

The Trump administration has broadly disengaged from multilateralism, based on the assessment that it no longer delivers for the US and that it has been captured by rival powers, notably China. Under President Xi Jinping, China has taken a much more ambitious, and more assertive, approach to international affairs. As made clear at the XIX Party Congress in 2017, Beijing aims to become a leading global power in the next three decades, while offering China's model to the rest of the world. The change of gear in Washington and Beijing has sharpened their latent rivalry. There is a growing consensus in the US that China is a strategic revisionist challenger and there is growing impatience in China with US influence in Asia and on the global stage.

These developments point to two systemically important consequences, and a new strategic context for the EU. For one, there is a serious risk that Sino-American competition emerges as one of the main features of international affairs, reverberating across many aspects of world politics. For another,

at this stage neither of the two superpowers is championing a rules-based international order. The Trump administration has been occasionally calling for cooperation among like-minded countries but openly endorses a transactional worldview while promoting the nationalist «America First» agenda. China has stated its support for an open international economic system but there is a mismatch between its words and deeds. It has taken a selective approach to global governance, while closely guarding its sovereignty and national interests.

If unchecked, these trends will likely lead to a post-multilateral world. This would not be one where multilateralism would suddenly disappear, but it would become shallower and narrower. This quite plausible scenario would seriously challenge the European project. Europe was built to replace the logic of confrontation with the logic of cooperation in international relations. In a world headed towards a post-multilateral (dis)order the EU needs to change gear, like the US and China, but take a different route.

## The EU needs a ‘rules first’ strategic approach

The starting point is that the same trends that risk to undermine the EU make it ever more valuable for Europeans and, arguably, others in the world. In a context marked by the revival of nationalism and power politics, a rules-based Union of states and peoples seeking to establish rules-based international cooperation is a global public good.

The EU is the living proof that a way to conduct international affairs other than coercion or sheer transaction can be pursued and, crucially, can deliver. This experience should be the core of the EU’s message to the world – its business card. However, as power shifts and ideas compete within a harder strategic context, the way in which Europe’s identity, assets and rules are converted into international influence needs to change.

Building on the 2016 EU Global Strategy, the EU should take a ‘rules first’ strategic approach, which aims to boost Europe’s role in shaping an open and sustainable international order, as well as Europe’s resilience to cope with external challenges.

With a view to that, Europe’s core asset is its rule-making power, understood here in broad terms as a combination of EU-level regulatory and market power and the Union’s engagement in multilateral cooperation and other partnerships. Europe’s strategy should therefore be primarily concerned with leveraging this power by connecting internal policies and assets to external instruments and objectives.

This connection can be operationalised in multiple, mutually reinforcing ways. The EU should foster the implementation of the rules and principles included in the many agreements concluded with neighbouring countries. It should develop stronger normative frameworks, for example on investment and procurement, and use them more strategically as a springboard for bilateral or multilateral negotiations. The EU’s energy policy encompasses an external dimension that helps enhance Europe’s energy resilience while advancing regional cooperation. Domestic environmental rules are the bedrock of the EU’s leadership in global climate negotiations. The EU can

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deploy its regulatory power to establish a level-playing field for the application of new technologies in Europe and to help shape related multilateral regimes. More broadly, the EU can develop industrial, competition and social policies that will put it in a stronger position to negotiate with others on the governance of a new phase of globalisation. Through a strategic approach to connectivity and external investment, the EU can extend the reach of its principles and rules in targeted ways, while creating a platform for cooperation with others. The EU can also leverage its market power to sanction the breach of international law. Under a rules first strategic approach, these and other tools and vectors of Europe's rule-making power should be mobilised to create leverage across policy domains.

## Advancing stability in a volatile world

This approach does not ignore the revival of power politics and geopolitical competition on the global stage. Of course, rules may not be enough to cope with aggressive behaviour. More broadly, flexible and pragmatic measures are often required to cope with complex challenges and unforeseen events. However, a rules first approach builds on the backbone of Europe's rule-making power, sets a sense of purpose and informs a non-adversarial posture to coping with power politics, while seeking to advance rules-based cooperation when possible. Europe should be equipped to deal with geostrategic competition, including a wide range of security threats, while not endorsing a zero-sum worldview. Europe should respond with rules to sheer power, with multilateralism to unilateralism, with rights to authoritarianism and with firmness to intimidation or interference. Rules can be hard, because they can coerce behaviour. However, if adopted and implemented according to the rule of law, they are not arbitrary.

A rules first approach is not necessarily about tight regulation either. Different policy issues lend themselves to different modes of governance, at the EU or multilateral level, whether binding rules or frameworks for coordination. The governance of new technologies will require, for example, very close partnerships between public bodies and private actors, based on a mix of regulation and codes of conduct. However, taking a rules first approach matters in many ways. For one, even

guidelines or coordination frameworks require close scrutiny about implementation and consistency. For another, Europeans should agree normative frameworks together, as opposed to drift separately in

spaces where rules are lacking or outdated. Finally, even relatively looser normative arrangements create a basis for cooperation and help foster predictability in a more volatile world.

## Rule-making, strategic autonomy, and politics

Europe's rule-making power will be essential for progress towards Europe's strategic autonomy. This is about the EU's ability to set objectives and mobilise the political will and resources to achieve them, in ways that are not primarily defined by others. While progress on defence cooperation is necessary to achieve a degree of strategic autonomy for Europe, the next EU leadership should frame this debate in larger terms. The four main pillars of Europe's strategic autonomy are the single market, the euro, the capacity for technological innovation and the capacity to provide for its own security. All of them require strengthening. The extent of strategic autonomy will differ depending on the policy domain. Across all of them, however, the aim is not for Europe to act in isolation but to take more responsibility for its security and prosperity, as a platform for cooperation with partners. A focus on rules is not sufficient for advancing strategic autonomy but, in a world of complex interdependence and transformative technological developments, it is a crucial part of that.

A rules first approach is also an antidote against opportunistic or hostile divisive tactics weakening the EU. For example, rules on the functioning of the single market or an effective approach to counter disinformation through norms and multi-stakeholder engagement should be the firm lines of defence against country-shopping,

or political interference, by third parties within the Union.

Clearly, a rules first strategic approach is predicated on the commitment of EU member states to shared principles and to joint responses to the challenges of a new, more muscular phase of globalisation. The recent track record of the EU is mixed at best. There is a precarious mismatch between incremental progress on some policy dossiers and deepening rifts in European politics. The agenda of nationalist and populist parties, whether in government or in opposition, weakens the credibility of a rules-based EU approach. Yet, the EU has proven more resilient than many expected. Most Europeans know that less Europe means more fragility and fewer opportunities. The EU has a positive message for citizens in Europe and beyond, based on sustainable growth, open societies and collective security. By pursuing these goals, the EU and national leaders can help shape the international order in ways that make a positive difference to citizens at home.

# Shaping partnerships with the US and China

The EU will need to work with a wide range of partners to implement a rules first approach, including state and non-state actors, at different levels. However, the way in which the EU will deal with the US and with China – the two super-shapers of the new phase of globalisation – will be critical to the viability of its strategy.

With a view to the US, the principal objective of the EU should be to preserve and update the transatlantic partnership as not only a central pillar of European security but also an essential component of the future international order. While day-to-day cooperation continues on a large range of issues and mutual economic relations are of unparalleled importance to both parties, the Trump administration and the EU look at international affairs through different lenses. This has led to serious differences, particularly on key matters of global governance, which are unlikely to melt away in the run-up to the US presidential elections in November 2020. Uncertainty over the outcome of these elections makes it impossible to anticipate major initiatives to redefine the partnership. But the EU should operate to create the best conditions for strategic engagement whenever the opportunity presents itself.

This will require, for example, Europeans to invest more and more jointly in their own security to become more autonomous, effective partners within NATO and stronger security providers in Europe's neighbourhood, through the full EU toolbox. Close cooperation should be fostered on strengthening the resilience of all transatlantic partners against cyber and hybrid threats. The EU should leverage extensive bonds with state and non-state actors across the Atlantic to promote an

inclusive debate and convergence with the US on the regulation of emerging technologies. Europe's own efforts to uphold a rules-based global order at a time of unprecedented challenges can also be seen as an important investment in the future of the transatlantic partnership. By supporting an order that the US, as well as many others, have largely benefited from, the EU is also keeping the door open for Washington to re-engage.

The strategic challenge of EU-China relations over the next five years and beyond is to define the terms and the scope of engagement between two very different economic and political systems. Especially at a time of growing tensions between Beijing and Washington, the handling of the EU-China partnership will carry implications that go beyond bilateral affairs.

The European Commission and the High Representative adopted a Joint Communication in March 2019 taking a strategic outlook to EU-China relations and outlining priority areas for action. The Communication calls for a "more realistic, assertive and multi-faceted approach" to China. It describes the EU-China relationship as a complex one, including cooperation, competition and rivalry, and requiring therefore "a flexible and pragmatic whole-of-EU approach enabling a principled defence of interests and values." The extent of the bilateral partnership will largely depend on the achievement of a level-playing field based on rules and reciprocity across a number of policy areas. As China becomes an advanced economy, a leading engine of technological innovation and a shaping power through, for example, the Belt and Road Initiative, the Communication makes clear that the core of the partnership agenda is shifting accordingly.

Beyond bilateral issues, the EU should strengthen strategic dialogues with China on matters of regional and international order. These include the respective agendas to foster connectivity between Europe and Asia and the regulation of new technologies. Some progress on the climate change agenda shows scope for cooperation between the EU, China and other key actors. However, larger questions lie ahead. Beijing's approach to connectivity, globalisation and global governance differs

from Europe's in important ways. The question is where China's priorities as a shaping power are alternative to those of the EU, where they are compatible and where differences can be reduced through negotiations. The space to fudge this question is contracting. The next EU leadership should mobilise the partnership with China to tackle it and develop a larger agenda for rules-based cooperation, where possible.

## Conclusion – Leveraging Europe's untapped power

Many dark predictions point to the international order unravelling or a new Cold War emerging between the US and China. However, the future is not preordained. Structural changes are inevitable, conflict is not. Various trends point to a context wherein geopolitical and geo-economic competition will intensify and the opportunity for multilateral rule-making will shrink. The trajectories of the US and China will be decisive for the scope of cooperation, competition or conflict. So will Europe's way forward, if Europeans will leverage their untapped power.

The next EU leadership should adopt a rules first strategic approach that defines the Union's global purpose and organises

its initiatives. A rules first approach is not a rules-only one. The EU and its member states will need to be pragmatic to defend their interests in specific issues, disputes or regions. It is also a strategy that requires the EU to work with a wide range of partners. However, the Union's added value lies in leveraging Europe's rule-making power to advance EU values and interests while striving to strengthen a rules-based international order. If Europeans do not step up to the task, instability and power politics on the global stage will compound political turbulence and divisions within the EU.

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<sup>1</sup> See also G. Grevi (2019), 'Shaping Power: A strategic imperative for Europe', Brussels: European Policy Centre.