

The European Union and the multilateral system

Lessons from past experience and future challenges

EPRS invites leading experts and commentators to share their thinking and insights on important features of the European Union as a political and economic system. In this paper, **David O'Sullivan**, former Secretary General of the European Commission and EU Ambassador to the United States, reflects on the Union's contribution to and standing in the multilateral system which it has done so much to support and pioneer, as well as on some of the issues that confront Europe if it is to maximise its influence in international economic fora of various kinds.

Introduction

Over the years, the European Union has become a key player on the international scene in many areas, from its role in economic and financial affairs to the importance of its development policy, its commitment to fight climate change and its engagement to defend human rights. The 2003 European Security Strategy, a milestone in the development of an independent EU foreign and security policy, already dedicated an entire section to the importance of 'an international order based on effective multilateralism'.¹ This chapter of the strategy argued that regional organisations, such as the EU, are key actors in the multilateral system and strengthen global governance. As such, multilateralism is not only a cornerstone of the European external policy, as emphasised again by the 2016 EU Global Strategy,² but it is a real 'identity factor' for the EU.

The integration of the EU in the multilateral order has never been easy in a world dominated by state actors. Today, a complex international landscape poses many challenges to the Union, from the risk of collapse of the multilateral trading system to new strategies endorsed by key global players such as the United States and China. The very essence of the EU is to promote structures and systems which favour the gradual elaboration and implementation of common rules in all areas of economic activity. In that sense, the EU was moving with the *Zeitgeist* of the second half of the 20th century. Yet, the recent re-emergence of more traditional great power politics and a more transactional approach to both bilateral and multilateral negotiations threaten to change the rules of the game.

The *sui generis* nature of the EU has long been recognised by both scholars and practitioners. For decades, the EU has been a puzzle to traditional diplomatic and international law approaches. Precisely defining this '*objet politique non identifié*', to use the words of Jacques Delors, remains still today a complex task.³ Far from being a mere theoretical issue, the uniqueness of the EU has, in fact, very practical implications in the world of international politics. In particular, the complex nature of the EU directly challenges key multilateral fora such as the United Nations (UN), the World Trade Organization (WTO), the G7/G20 or the international financial institutions. These different institutions alternately seek to integrate the EU as an economic giant and growing political power and to relegate it to a secondary role as a simple regional organisation. As a result, the EU is forced to juggle between different political roles and institutional arrangements across the full breadth of

the multilateral landscape. This paper looks at how the EU's singularity is overcome in practice. It also reflects on what are the perspectives for future developments, taking account of a particularly challenging multilateral context.

The rise of a singular actor in the multilateral system

The EU in its current form is the result of extensive intergovernmental cooperation and a progressive transfer of competences from the national to the supranational level. European cooperation constitutes arguably the most successful example of regional integration in the world, and the EU can easily be perceived as a champion of inter-state cooperation. The historical and institutional roots of the EU would therefore suggest that it is a natural player in the multilateral order. As stated by the current President of the European Commission, Ursula von der Leyen, in the political guidelines for her mandate, 'multilateralism is in Europe's DNA'.⁴

The reality is, in fact, more complex, as the EU has grown into a unique actor in a world order that remains heavily state-centred. On one hand, the EU has progressively established itself as a global power. It has today a number of commonalities with other major actors, such as the US, China or Russia, including its size, economic power and influence on its direct neighbourhood.⁵ On the other hand, it remains a *sui generis* actor which faces challenges unknown to big state actors. The ability of the EU to act as an independent player in the multilateral system has notably been limited by its legal status and by the scope of its competences. Indeed, before the entry into force of the Lisbon Treaty in 2009, the EU did not even have legal personality. It had, therefore, no access to proper membership in international organisations and was usually represented by one of its institutions, in most cases the European Commission or the Member State holding the rotating presidency of the Council at the time. This formal legal hurdle was overcome over a decade ago, which has allowed the EU significantly to increase its profile on the international scene.

Other constitutive challenges remain. European external action is notably limited by the scope of the EU's competences. The principle of conferral laid down in Article 5 of the Treaty on European Union (TEU), states that the EU can only act within the limits of the competences that Member States have conferred upon it in the Treaties. This also applies to international cooperation, where the EU can only assert itself where it has a sufficient level of competence. As a consequence, the EU is a strong player in some fora and a secondary actor in others.

An impressive legacy of multilateral action in trade and development policy

Looking at where the EU does have extensive competence to rely on, European engagement on the multilateral scene is impressive. The best example is probably economic and financial affairs, where the EU has an obvious role to play, being the one of largest economies in the world. External trade policy is at least partly at the origin of the broader EU external action.

When the (then) European Economic Community (EEC) was created in 1958, the two main external competences of the new Commission lay in the areas of trade and of development assistance, where the European Development Fund was intended primarily to fund relations with existing or former colonies. The Customs Union, which entered into force in 1968, had also to find its place in the then General Agreement on Tariffs and Trade (GATT).

Historically, external trade has built up the ability of the EU to influence international affairs and its bilateral relations with single third countries. For a long time, the focus was on the multilateral, initially within the GATT and then, later, within the WTO, of which the EU became a member in its own right upon its foundation in 1995. In recent decades, and particularly following the failure of the Doha Development Round in 2008, the EU has concluded some 40 free trade agreement (FTA) deals with over 70 countries, putting it at the centre of the largest free trade network ever created. It is the top trading partner for 80 third countries.⁶ Today, the trade tool remains a key instrument of the EU's global influence, working hand in hand with other areas of external policy, such as

sanctions, development policy or climate action. The EU, together with its Member States, is responsible for over 55 % of overseas development assistance (€75.2 billion in 2019),⁷ making it the largest donor of such assistance in the world. Similarly, the EU and its Member States provide the majority of humanitarian assistance worldwide.

Economic and Monetary Union and the euro

The EU's leading role in monetary policy is another aspect of the European influence in the world of economic and financial affairs. The progressive introduction of the euro since the early 2000s, a currency currently used in 19 European states, has added a new dimension to the EU's international role. The euro today is the second most important currency in the international monetary system.⁸

EU competence in monetary policy does not, however, involve every Member State. As a result, whilst EU engagement in international financial institutions is growing, it is less established than for trade policy. It is built around a combination of EU and Member State representation that sometimes lacks effectiveness and unity. Although EU countries hold a majority share in both the International Monetary Fund (IMF) and the World Bank, they rarely present an entirely common face and are reluctant to concede a more important role for the EU as such, or even for the Commission, in either forum. The situation in the IMF has gradually improved, following the creation of the euro and the European Central Bank (ECB). In this area like in others, the EU's participation in international organisations has largely developed on a case-by-case basis and does not reflect a consistent, unitary image, and is certainly not the result of a concerted strategy.

The role of the EU in key multilateral economic and financial organisations

The EU's multilateral engagement on trade, aid, and economic and financial affairs reveals some impressive performance while also underlining a number of challenges and limitations. To understand the complexity of the EU's role in the field of multilateral economic and financial cooperation, it is necessary to have an overview on the different status and roles it plays in key organisations.

WTO

The **World Trade Organization** (WTO) is probably the multilateral organisation where the EU plays the most well-established and active role,⁹ due notably to its exclusive competence in external trade policy. The EU is a full member of the WTO, alongside all of its Member States. In practice, the European Commission is in the driving seat, coordinating the bloc's positions in the WTO's General Council, and speaking and negotiating on behalf of the EU Member States in Geneva. In addition, the Commission deals with WTO complaints and can propose retaliatory measures to Member States. This situation implies the acceptance by individual Member States of a more passive role. The division of labour in the WTO allows the EU to truly speak with one voice and to ensure a strong and coherent representation of the European interests. The EU is recognised by external actors as an independent and effective actor in multilateral trade negotiations. In recent years, the EU has even assumed a leading role as a promoter of WTO reform, working in close cooperation with major state actors such as Japan. WTO negotiations are almost a unique example of the EU playing a preponderant role in a multilateral organisation, even if Member States still remain full members in their own right.

G7/G20

The **G7 and G20**, which are by definition political and less institutionalised fora, have shown great flexibility in integrating the EU. The EU is not an official member of the G7 but is, in practice, the only non-state actor participating in these summits. This was quite a controversial issue when the grouping was first created in 1975. Initially, the Commission was not invited by the then French

President, Valéry Giscard d'Estaing. There was push-back from the Member States not in the group, and the pre-Lisbon Treaty compromise was to invite the President of the Commission and the country holding the rotating presidency of the Council, if that country was not already a full member. The EU is, by contrast, a full member of the G20, although it does not assume the rotating presidency in either format. It is often argued that European powers are over-represented in the G7 and G20 context. On the EU side, the Presidents of both the Commission and the European Council attend the summits, together with three or more Member States' Heads of State or Government, depending on the setting of the meeting. As a result, European delegations represent more or less 25 per cent of the seats in the G20, whilst in the G7 they take almost half of the seats.¹⁰

Although this extended representation of the EU in the G7 and G20 summits may be beneficial, it also constitutes an important challenge for the perceived coherence and visibility of the Union. When it comes to the content of the discussions in these fora, G7 and G20 meetings usually cover a wide range of topics which may or may not correspond to an EU competence. The division of labour is therefore decided on a case-by-case basis and depends on political and legal considerations linked to the division of competences.¹¹ The US, in particular, is often critical of what they consider an excessive European presence because the participation of the institutions is added to, and does not replace, the continued presence of the Member States in their own right.

United Nations

The EU has long struggled to speak with one voice in the biggest intergovernmental forum which is the **United Nations** (UN). Before the EU gained full legal personality in 2009, the European Commission and the rotating presidency of the Council both represented the Union's interests in the UN. In practice, this meant that the Member State holding the Council presidency was the main voice representing the EU and ensuring its visible presence. The changes introduced by the Lisbon Treaty, which aimed at enhancing a single EU external representation, resulted in a legal and political conundrum within the UN.¹² No longer relying on Member States to represent its interests, the EU as a non-state actor and mere observer was at risk of losing some of its speaking rights during debates. Complex negotiations to convince a sufficient number of UN members resulted in the creation of a tailor-made 'enhanced observer status' in 2011. This status grants the EU a more active role compared to other international and regional organisations, in particular within the UN General Assembly. The arrangement does not, however, allow any direct representation in the UN Security Council, though the EU is frequently invited to address the Council, in itself a novelty. UN agencies also chose different paths to deal with EU in their respective forums, often in line with the distribution of competences at European level. For example, the EU has been a member of the Food and Agriculture Organization (FAO) since 1991 but is an observer in various other agencies, such as the United Nations Educational, Scientific and Cultural Organization (UNESCO).

World Bank and IMF

Within the **international financial institutions**, notably the World Bank and the IMF, the EU plays a less prominent role than what might be expected. This is notably due to a complex institutional landscape on the part of both the agencies and the EU.¹³ In the area of monetary policy, the European Commission, the eurozone countries, the rotating presidency of the Council and the ECB all have a word to say, which results in uneven external representation. The ECB has the most well-established role within these institutions and has been notably a permanent observer in the IMF since 1999. This status does not, however, grant the same rights as a full member of the organisation, in particular as regards participation during meetings. In both organisations, Member States are therefore in the driving seat and enjoy a good internal representation, but their level of coordination as an EU bloc is distinctly underwhelming. Discussions on a possible modification of the EU's status in both organisations have been on-going for many years, but the chances of seeing major changes in the near future are low. The vested interest of the Member States in the current arrangements is too strong.

Climate change negotiations

The EU has also played an important role in international climate change negotiations. The institutional architecture of the UN negotiations is already intrinsically quite complex, but the EU has carved out a leadership role both within the UN Framework Convention on Climate Change (UNFCCC) and in tandem with the Member States. The EU played a critical role in the final deal on the Paris Agreement, and the ratification of that deal by the EU in October 2016 was the key decision enabling its entry into force (by enabling the necessary threshold of 55 % of global emissions to be reached).

The EU still faces many challenges in a fast-changing multilateral order

As an international actor, the EU has come a very long way since the creation of the European Coal and Steel Community (ECSC) in 1951. It is doubtful that the founding fathers of the European project could ever have imagined that so much would be achieved. The EU is present in all major international fora and is a major player in some of the most important, such as the WTO, the UNFCCC, the G7/G20, parts of the UN system, and even the international financial institutions.

The creation of the double-hatted role of the High Representative for Foreign Affairs and Security Policy and Commission Vice-President, introduced by the Lisbon Treaty in 2009, together with the establishment of the European External Action Service, which manages one of the larger diplomatic networks in the world, has further enhanced the EU's international role and voice.

The EU always exercises its role with a view to reinforcing and developing the rules-based, multilateral system. Some would say that, were it not for the EU, the multilateral system might not have survived the upheavals of the Trump years. At the EU Ambassadors' Conference in 2019, then High Representative Federica Mogherini argued that 'at a time when the idea of a cooperative global order has come under increasing pressure, we have invested in multilateralism like never before – and we have always invested in multilateralism'.¹⁴ Many countries openly admit that they see the EU as the last truly committed defender of multilateralism.

And, yet there is always a lingering sense the EU is still somewhat behind the curve. This is partly because of the patchy and rather unequal way in which the EU is represented. We find it hard to opt for clarity and decisiveness. This is mainly a problem of the Member States being unwilling to give up their places to allow for an EU presence. So, we end up with multiplication. It is partly a result of the different natures of the organisations concerned, as can be seen with the World Bank and the IMF. But the EU institutions themselves are also to blame. The dual role of the President of the Commission and the President of the European Council is often hard to explain to the third countries who meet them in summits. The awkward uncertainty about whom among the Presidents of the European Council, Commission or Parliament should formally accept the Nobel Peace Prize when it was awarded to the EU in 2012 illustrates the point.

Is there a better way forward?

It is always tempting to imagine a foundational moment of clarification about external competences, either through a new treaty or some kind of inter-institutional agreement. The urge to want to impose some logical division of labour once and for all is understandable. Experience teaches us, however, that this is unlikely to succeed. The more sharply these issues of institutional roles are presented for decision, the more defensive everyone becomes, and it rarely ends well.

In practice, there seems to be little alternative to a more incremental approach, seeking gradually to improve the consistency and unity of defending and promoting EU positions in the different fora on a case-by-case basis. This was the approach which the Commission had to follow in the earliest days of the EEC, when trying to carve out a distinct European role in the GATT. Armed only with the legal language of three articles in the EEC Treaty, the Commission set about creating a right of

exclusive competence which today is taken for granted. One of the early architects of this approach, Edmund Wellenstein, wrote in 2005, 'I do not believe that the authors of the Treaty of Rome foresaw the scale of the Community's role in the world under Articles 110, 111 and 113'.¹⁵ In this regard, the role of the European Court of Justice (ECJ) in clarifying the degree to which the Community's external powers extended to areas governed by internal law should be underlined.

Even today, the exact scope of the EU's exclusive competence remains a recurring debate. As the EU is aiming at ever more ambitious trade deals with third countries, the question of so-called 'mixed' agreements has become a key issue, notably because of the possibility for a national or a regional entity to delay or even block an EU deal, as was the case for the Comprehensive Economic and Trade Agreement (CETA) with Canada in 2016. This situation was largely addressed when the ECJ ruled in 2017 that an FTA negotiated with Singapore could, under certain conditions, be considered as one of exclusive competence – notwithstanding the presence in the agreement of some elements of 'mixed' competence – opening the way for ratification of such deals to take place in the future only at EU level (that is, by qualified majority in the Council and with the consent of the European Parliament).¹⁶

Shifting tectonic plates

The tectonic plates of the international order are shifting, and the EU is always running to catch up with what is happening in the world around. The rise of China is completely reshaping the global environment. China is emerging as a new superpower with global ambitions of an earlier age, while at the same time showing increasing mastery of the levers of multilateralism. China is engaged in actively seeking to increase its influence in a wide range of multilateral bodies by placing its nationals in positions of authority, whether that be within the UN, the international financial institutions or even much more technical bodies such as standard-setting organisations.¹⁷ By 2020, China was heading four of the 15 UN specialised agencies, including the FAO and the UN Industrial Development Organization. It has also become the second largest financial contributor to the UN system. China seeks to expand its presence and its role. This is not necessarily a bad thing – we need a China which is engaged and supportive of multilateral organisations – but neither should we be naive: China has an agenda which we, more than likely, do not fully share.

On the other hand, over the last four years, the US has been withdrawing from the multilateral system. President Donald Trump took the US out of the Paris Agreement, the World Health Organization and the JCPOA, the nuclear deal agreed with Iran in 2015 for which the EU was an important driving-force. Joe Biden will undoubtedly reverse that process, but how sure can we be that the 2024 US election will not bring a swing back? The US, once our strongest ally in the defence of the multilateral rules-based order, is no longer such a reliable partner.

This should certainly encourage us to re-invigorate the transatlantic alliance, but we also need to stand more on our own two feet and develop a vision of global governance which is both inspired by the experience of the past and adapted to the realities of today.

Some argue that Europe's economic and cultural influence is significantly decreasing, and that the Western idea of universalism is in serious crisis. Even based on this pessimistic assessment, we cannot conclude that multilateralism is dead, but rather that it needs to be reinvented and that the EU can play a key role in that process.¹⁸

We will need to seek to build alliances with like-minded partners where we aspire to encourage the development of multilateral cooperation across a wide range of fora. These alliances will not always involve the same groups of countries, but they will always have the same objective: to promote an organised and effective system of global governance based on clear rules.

This paper argued earlier for an incremental approach in terms of the EU presence, but that still means that we need an actual strategy for the promotion of multilateralism and some guidelines for how we propose to proceed in different fora.

The defence of 'effective multilateralism' has been a cornerstone of EU policy since the European Security Strategy of 2003, re-iterated and reinforced in the European Global Strategy of 2016. The EU wishes to see a strengthened international system, a stronger multilateral engagement of a wide range of countries, and a more reliable rules-based order. While these objectives seem straightforward, they often lack a concrete framework, such as a clear definition of the EU's priorities in the multilateral scene or a precise commitment on the reforms necessary for various international institutions. In an increasingly complex system, the EU needs to demonstrate further flexibility and a pro-active attitude.¹⁹

The dilemma which presents itself is whether the EU is on to a winning ticket for redesigning the world of the future or fighting a rear-guard action for a world whose time has passed. The answer is likely to be somewhere in between. Europe has every interest in a functioning multilateral system. On the other hand, we cannot ignore the Zeitgeist. High Representative Josep Borrell is not wrong when he says that 'The EU has to learn to use the language of power'.²⁰

The EU is not a state. It has some of the attributes of statehood – legal personality, some exclusive competences, a currency and a diplomatic service – but ultimately it is a hybrid. It is not well equipped to play a 19th century 'great game' of power politics. And, if we are honest, it will not be equipped to do so for many years to come. So, it must learn to navigate the new world, playing where it can to its strengths and seeking to hide, or at least, dissimulate when it comes to its weakness.

The current coronavirus crisis is a good case in point. Initially, it caught the Union off-guard. The primary competences for public health lay with the Member States. Closing frontiers was not xenophobic, but actually made sense in terms of crisis management of a virus transmitted by human contact. Even countries with internal borders of little meaning suddenly discovered their usefulness (Australia and the US). Europe was playing catch-up.

However, the European Commission soon came forward with ideas. Closing borders was slowing down delivery of essential supplies. We needed green lanes to speed up goods traffic. We needed cross-border cooperation on hospital facilities. Personal protective equipment for medical staff needed to be sourced and shared. We needed a global effort to fast-track efforts to develop and distribute a vaccine. An international pledging conference was convened at short notice in May 2020. Since then, €15.9 billion has been pledged by the EU and its Member States for universal access to tests, treatments and vaccines against coronavirus and for the global recovery.²¹

This shows how the EU can always assert its relevance once it addresses specific problems with the prospect of helpful solutions. This applies at both the European and international levels.

Conclusion

Notwithstanding its many legal and institutional limitations, the European Union has, since its inception, managed to insert itself rather effectively into the many layered multilateral order which played such an important role in shaping the second half of the last century, particularly where the main focus was economic and financial.

It has had to do so while managing internal constraints (tensions with Member States and between the institutions) and external resistance (frequent reluctance on the part of international partners to accept the presence as an equal of a 'non-state' actor in an intergovernmental construct).

On the safe assumption that no Copernican revolution is imminent in the way the EU organises itself internally, the Union and its institutions are likely to have to continue to navigate pragmatically for the foreseeable future. However, the EU cannot afford to ignore the way in which global politics are starting to reshape the multilateral order. The next five years could be decisive in determining the shape of multilateralism in the 21st century. Building alliances with like-minded partners, especially the US, will be of critical importance – but just as important will be the development of an EU vision of what that new global order might look like, and how we work both within the existing structures, and in new creative ways, to help design and build it.

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