THE EU AND
GLOBAL PUBLIC GOODS
CHALLENGES AND OPPORTUNITIES

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Summary

Over the last decade, development cooperation has evolved to such an extent that we are now entering ‘a new age of global development’, characterised by an emphasis on global public goods (GPGs). The increasingly global nature of development challenges clearly indicates that global problems require global solutions and new forms of international cooperation with the involvement of emerging and developing countries. The EU has the potential to play a leading role in the provision of GPGs. Although the EU has played a key role in the provision of GPGs, notably on climate policy and food security, it lacks a common strategy for addressing GPG challenges. The EU needs to adapt to the changing global landscape, improve its internal coherence and promote a global vision and development approach with common narratives on the challenges that need to be tackled.

In order to realise its potential, the EU should: be selective about the issues that it can realistically tackle; develop clear strategies, commit the necessary resources to implement the strategies, improve its internal coordination and policy coherence, agree a ‘division of labour’ between the EU institutions and the Member States, and focus on strategic partnerships and invest in alliances with countries that promote multilateral solutions.
Introduction

Over the last decade, development cooperation has evolved to such an extent that we are now entering what many refer to as ‘a new age of global development’.\(^1\) This new global age brings with it a new global order that has an impact on EU development cooperation at two interlinked levels. Firstly, shifting wealth has led to a community of development actors that is more diverse than ever before, with an increasing number of emerging economies becoming donors, their assistance growing rapidly, and engaging in South-South cooperation. The (re)emergence of new global economic powers – including Brazil, Russia, India, China and South Africa (BRICS) – coupled with the increasing importance of the G20 as a global governance forum, has inevitable geopolitical ramifications. Jim O’Neill – who first introduced the term BRICS – observed recently: “In 2011, China’s nominal GDP rose by $1.3 trillion, equivalent to creating an economy the size of Greece every 11½ weeks and an economy the size of Spain in not much more than a year. The BRICS collectively contributed around $2.2 trillion, not too far off the equivalent of another Italy”.\(^2\)

Secondly, changing patterns of growth have changed the nature of poverty, with an increasing concentration of poverty in middle-income and/or fragile states, and an increasing number of poor countries seeking to reduce dependency on aid. Since 2000, 29 countries have graduated to middle-income country (MIC) status, leaving only 36 low-income countries (LICs) and fragile states. On the other hand, of the 29 countries that graduated from LIC to MIC status in the last decade, 18 had already been MICs in the past, but had relapsed to LIC status, mostly in the early 1990s. Nevertheless, the trend is clear – most donors have reduced aid to MICs. The donor to have most reduced aid to MICs is Japan, halving the proportion of aid to MICs from over 66% to just under 34% in ten years. Canada cut the share of aid given to MICs by about one third, while the UK, Norway and the US cut theirs by about one quarter. Despite cutting its aid allocation to MICs significantly from almost 70% in 1998/99, Spain still has the highest allocation with 57%.

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\(^{1}\) The author is grateful for support and comments from a committee comprised of Danish Ministry of Foreign Affairs officials and researchers from the DIIS who oversaw the study. Thanks are also due to Simon Maxwell, Senior Research Associate at ODI, for his invaluable comments.

These shifts have brought about a ‘multi-polar’ world order with new demands for global decision making. The increasingly global nature of development challenges, such as climate change, peace and security, food security, migration and financial stability, clearly indicate that these global problems require global solutions and new forms of international cooperation, with the involvement of emerging and developing countries.

Severino and Ray described this new order in 2009 as a “triple revolution of goals, actors and tools” in international development assistance (Severino & Ray, 2009). Goals, they said, are shifting from being purely about poverty reduction to include economic development and global public goods; new actors are entering the aid system, and new forms of innovative financing are multiplying the possible instruments that can be used. They recommended a redefinition of Official Development Assistance (ODA) as ‘global public finance’ focused on resources and results. In 2011 Shafik noted that aid will increasingly be focused on Africa, as much of Asia grows its way out of poverty and that aid will increasingly be allocated to global public goods. She predicted a more ‘networked’ approach to tackling global problems in which governments, civil society and the private sector work together in coalitions (Shafik, 2011).

There is much at stake for the EU in understanding these trends. Such understanding will be vital to making effective decisions about where, how and on what the EU invests its resources and focuses its cooperation efforts, as well as who it can collaborate with to achieve its goals. Parallel to the ongoing process of EU introspection on aid priorities and development effectiveness, the changing international context is exacerbating the sense of a geostrategic imperative of modernising, retooling and adequately resourcing EU-level development cooperation processes.

If the EU is to maintain and strengthen its standing as an influential global development actor, it will need to adapt itself to the new global landscape. It will need to shape its development policy so that it targets, increasingly, not only a single objective, but a portfolio of strategic objectives. Rather than being limited to development assistance to solve national development challenges, EU development policy could become a global structural policy that contributes to global problem solving for the benefit of development outcomes. For this to happen, the EU would need to build new partnerships for global development based on mutual interests and the provision of global public goods with emerging economies and MICs. The policy challenge for the EU, therefore, is to find the right balance in addressing poverty reduction objectives and activities whilst
simultaneously promoting strategic objectives in ways that deliver optimal outcomes, and in the mutual interests of the EU and partner countries (Gavas et al. 2011).

This paper explores the extent to which the EU is equipped with the policy, institutional and financial mechanisms to engage in the new global landscape and address global public goods. It analyses the performance of the EU in international fora and the constraints to the EU’s voice in global decision making. Finally, it sets out a five-point action plan for the EU to bridge the gap between rhetorical commitment and practice in global governance.
What are global public goods and what are the challenges of providing them?

Global public goods (GPGs) are public goods with benefits that extend across countries and regions, across rich and poor population groups, and even across generations. A GPG has the following characteristics:

- It is non-rivalrous, i.e. consumption of these goods by anyone does not reduce the quantity available to other agents.
- It is non-excludable, i.e. it is impossible to prevent anyone from consuming it.
- It is available worldwide (Kaul et al. 1999).

The goods refer to the advantages to society from the provision of certain utilities and from satisfying particular wants and needs, such as the eradication of disease or the elimination of pollution. Broadly, they can be classified into five main types: environment, health, knowledge, peace and security, and governance. Within each of these sectors, goods that bring advantages to society as a whole, and to which every individual has an equal entitlement, can be identified.

The provision of GPGs is fraught with problems. Sometimes a good may be lacking and sometimes a good may exist but be shaped in such a way that it entails costs for some people or countries while benefiting others. For example, procedures for managing international financial crises have at times placed a heavier burden on borrowers than on lenders. So it is not only the level at which goods are provided that may affect people’s lives, the way in which they are provided matters too (Kaul et al. 1999).

Inaction, however, has a high price. Even for a small group of global public goods, the costs of underprovision amount to billions of dollars a year (Kaul & Conceição, 2003). However, policymaking mechanisms are often poorly suited to the wide range of spillovers for many global public goods, with few sometimes deciding the fate of many. The three main problems are:

1. GPGs are global in their scope but policymaking remains largely national. Thus, individual states will have to introduce an international dimension to their public policies and make funds available for international cooperation.
2. Too often, developing countries are excluded from intergovernmental decision-making. Agreements on which GPGs should be given priority are political choices
in which the maximal involvement of all those affected is crucial. One way of closing this gap would be to establish an international task force to debate these issues, make recommendations and devise strategies and policies. This could even evolve into an executive body with policymaking and implementation powers.

3. In providing and financing GPGs, the danger is that scarce resources could be drawn away from traditional forms of development aid. This would have an adverse effect on the poorest countries, which often rely on development aid to meet their most basic needs. As rich and poor alike benefit from GPGs, any resources allocated to their development should be in addition to provisions for development aid.
The poverty reduction vs. strategic interest dilemma

Foreign affairs strategies are often guided by pure national interest. On the other hand, foreign aid is motivated by moral and equity concerns about the plight of poor and less fortunate nations and people. Yet the distinction between poverty reduction and strategic interest objectives may be less clear-cut than the debate sometimes suggests. International cooperation in support of GPG provision is driven by ‘enlightened self-interest’ (Kaul & Gleicher, 2011).

For example, EU poverty reduction objectives are demonstrably connected to European economic recovery and geopolitical success in the medium to longer-term. As many analysts have pointed out, eventual European return to economic vitality and global competitiveness requires a focus on growth-promoting assistance and the opening of markets in poor (sometimes politically and strategically non-pivotal) countries. In the African context, for example, cultural and historical ties, as well as sustained values and dialogue, represent the EU’s relative advantage vis-à-vis emerging geostrategic competitors. Even then, as the continent’s position at the base of the global raw material chain becomes more important amidst increasing resource scarcity, the difficulty in making a clear-cut distinction between poverty reduction and strategic interest objectives becomes evident.

South Africa and Nigeria are cases in point. Both are MICs in need of poverty reduction and economic assistance – but also increasingly envisaged and engaged as vital partners in strategic and economic terms, capable of driving prosperity in their neighbourhoods, as well as contributing to EU energy security and broader regional objectives. The EU’s persistence in forging a more strategic development cooperative partnership with Nigeria, as well as the recent admission of South Africa (already a beneficiary of a wide-ranging strategic trade and development cooperation partnership with the EU) into the BRIC group, further highlight the melding of poverty reduction and wider geopolitical objectives within a changing regional context. From a policy point of view, this means formulating both mutual interest and poverty reduction criteria in as dynamic a manner as possible, as well as complementing this with an appropriate architecture of instruments more adaptable to changing development/economic contexts, alongside better flexibility to accommodate geostrategic priorities.
Is the EU equipped to deal with global public goods?

According to a recent paper by Kharas and Rogerson, the major traditional aid agencies are still some way from reorienting their work to respond to emerging trends and are in danger of becoming less effective in the new context (Kharas & Rogerson, 2012). The authors suggest that the goals of development cooperation are broadening out from social welfare/poverty reduction concerns to include mutually beneficial growth and trade, as well as global public goods. They go on to identify potential disruptors to each of these areas, respectively: new philanthropy and social impact investors; South–South cooperation; and supranational tax bases and pricing regimes to finance climate change. On the basis of these disruptors, they ‘stress test’ the exposure of existing agencies to these changes. The least exposed agencies are those that are engaged most heavily in the provision of global public goods and those whose activities are focused on the high poverty gap and fragile countries. Highly exposed agencies are those focused heavily on social welfare programmes as compared with either growth or global goods and MICs. The EU falls into the second highest of the four risk categories set out in the paper (Kharas & Rogerson, 2012).

In order to adopt a convincing strategy for dealing with GPGs, the EU would need to decide:

At the policy level:
- Which global public goods to focus on
- How to ensure that global development policy becomes an element of the EU’s international engagement

At the institution level:
- How to organise within Europe so that Member States and the EU institutions are all pulling in the same direction

At the instrument level:
- How to engage with countries or groupings of countries with varying development levels, needs and priorities
- Which countries should continue to receive ODA and which countries could, rather, benefit from partnerships based on mutual interests and the promotion of activities such as trade, energy, environment and investment cooperation
At the international level:
- How to get international agreement on the global regimes needed to entrench global public good provision (Furness & Makhan, 2011).

The Policy
Table 1 sets out the EU’s policy framework on development cooperation. Over the past decade, the EU has issued several policy statements that have set it on the path towards becoming a single development ‘partner’. Nevertheless, taken either in isolation or as a group, the EU’s policy statements do not constitute a strategy for global development.

At the policy level, the EU has, to date, emphasised the primacy of poverty reduction in its development programmes – an approach that has become increasingly incompatible with its large (145 countries) and increasingly heterogeneous partner country portfolio (Koch, 2012).

Recognising the need to adapt its policies and objectives to a changing international environment, the EU adopted its new development strategy, ‘Agenda for Change’ in May 2012 (European Commission, 2011a). The new policy claims direct descent from the European Consensus on Development, first published in 2005 and ratified by the EC, Council and Parliament. As in 2005, the Agenda for Change puts poverty reduction in pride of place – as, indeed, it is required to do by the Lisbon Treaty. At the same time, the Agenda for Change noted that continued focus on the MDGs was necessary but not sufficient for global development (European Commission, 2011a). The new strategy also signals two important shifts: (1) a concentration of EC assistance on two pillars – firstly good governance, democracy and human rights, linked to greater conditionality, and secondly growth, with a strong focus on leveraging in private sector money, and (2) the introduction of new aid allocation criteria with a view to aid graduation for well-off developing countries. It emphasises targeting resources “where they are needed most to address poverty reduction and where they could have the greatest impact” and announced that “grant-based aid should not feature in geographic cooperation with more advanced developing countries” (European Commission, 2011a). The argument for ‘differentiation’ is that development cooperation with more advanced countries should shift focus from poverty reduction to global challenges and mutual interests (Gavas et al. 2011).
Table 1. The evolving framework of European development cooperation

<table>
<thead>
<tr>
<th>Year</th>
<th>Milestone</th>
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<tbody>
<tr>
<td>1992</td>
<td>Maastricht Treaty: Development – shared competence, poverty focus, policy coherence, coordination and complementarity between EC &amp; Member States</td>
</tr>
<tr>
<td>2000</td>
<td>EC External Assistance Reforms: EC Development Policy Statement – new implementing agency (EuropeAid); deconcentration of project management to delegations; Regional &amp; Country Strategy Papers; inter-service Quality Support Group; Annual Report of EC development assistance</td>
</tr>
<tr>
<td>2000 - 2020</td>
<td>The EU-ACP Cotonou Partnership Agreement – integrated package of aid, trade and political dialogue; conflict, peace and security through the Africa Peace Facility; EU Water Facility, EU Energy Facility, EU–Africa Infrastructure Trust Fund, Natural Disaster Facility, Migration Facility; Economic Partnership Agreements</td>
</tr>
<tr>
<td>2003</td>
<td>The 2003 European Security Strategy – ‘security is the first condition for development’; coordination of the various instruments at the EU’s disposal</td>
</tr>
<tr>
<td></td>
<td>European Consensus on Development – poverty reduction as the primary goal of development policy; benchmarked against the Millennium Development Goals (MDGs); EC &amp; Member States; EU external policies are ‘common’; recognition of ‘policy mix’, linking trade, human rights, good governance, education, health, environment, migration and security, with the MDG agenda and poverty eradication</td>
</tr>
<tr>
<td>2005</td>
<td>EU–Africa Strategy – ‘whole of Europe for whole of Africa’; combined trade, aid and support for security and governance in a ‘package deal’ for partner governments in Africa</td>
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<tr>
<td>2007</td>
<td>The EU Code of Conduct on the Division of Labour and joint co-financing</td>
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<td></td>
<td>EU Report on Policy Coherence for Development (biennial)</td>
</tr>
<tr>
<td>2009</td>
<td>Article 208 of the Treaty of Lisbon – “the Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries”.</td>
</tr>
<tr>
<td>2009 - 2010</td>
<td>The 2009 Council Conclusions on Policy Coherence for Development and the 2010 12-point Action Plan for meeting the MDGs</td>
</tr>
<tr>
<td>2010</td>
<td>Policy Coherence for Development Work Programme 2010–2013 – five priority areas: trade and finance; climate change; food security; migration; and security</td>
</tr>
<tr>
<td>2011</td>
<td>Report on Policy Coherence for Development</td>
</tr>
<tr>
<td></td>
<td>European Commission legislative proposals on the future financial instruments and regulations for external action for the next Multiannual Financial Framework (MFF) 2014–2020</td>
</tr>
<tr>
<td>2012</td>
<td>Council Conclusions on trade, growth and development</td>
</tr>
<tr>
<td></td>
<td>Council Conclusions on the ‘Agenda for Change’ and the future of EU budget support to third countries</td>
</tr>
</tbody>
</table>
Nevertheless, the Agenda for Change is, above all, an aid strategy for an aid administration. It focuses on the EC’s efforts to improve as an aid agency. Provisions on policy coherence emphasise ‘doing no harm’ to development objectives, yet the EU policies that significantly impact developing countries – those concerning agriculture and fisheries – are not actually mentioned. It does little to link to the rest of the development agenda – whether global imbalances in the world economy, climate change, the management of shocks, security or migration – and thus fails to be explicit about the need to develop an EU-wide strategy for global development based on a mutual interest in underwriting global public goods.

Despite the solid legal basis and several political statements adopted during the past two decades, especially following the 2005 European Consensus on Development, systemic and institutional challenges prevent the EU from fundamentally transforming its policies to make them coherent with development objectives. This is, for instance, shown in the revision of the EU’s Common Fisheries Policy (CFP) and Common Agriculture Policy (CAP), two policy areas that are highly relevant to developing countries. These policy discussions show that the EU finds it difficult, in practice, to present an analysis and/or make proposals that would support rather than undermine development processes in developing countries, even where there is clearly a potential negative impact on development.

Efforts to improve policy coherence for development (PCD) in the EU have faced major institutional hurdles, as they require active promotion of shared objectives and approaches across the various Directorates-General (DGs), agencies and delegations, as well as among Member State governments, ministries and state development agencies.

Thinking about the role of aid beyond the reduction of extreme poverty will entail defining strategies for cooperation on key GPG issues. At EU level there is no common strategy for addressing GPG challenges in the European context. This would require the EU to be selective about what issues it can realistically tackle, set clear priorities and commit the necessary resources to implement emergent strategies. It would also require Member States to coordinate policy not only at the national level, but among the different line ministries as well, many of which have agendas clearly defined by national interests. Although everyone agrees that more coordination is needed, nobody wants to be coordinated. However, until genuine collaboration takes place, the EC’s mandate to move its own policy agenda beyond ODA is limited (Furness & Makhan, 2011).
The Institutions
The EU’s complex institutional and bureaucratic architecture has, at times, proved inadequate for mobilising the political momentum to implement its ambitious global agenda (Furness & Makhan, 2011). With the adoption of the Lisbon Treaty, the EU set about reforming its structures for external relations. From a development perspective, the two most significant innovations were the launching of the European External Action Service (EEAS) in January 2011 (following difficult infighting, turf wars and protracted negotiations over its policy mandate), and the merger of the policy units of the Commission’s DG Development and EuropeAid into a new DG Development and Cooperation (DEVCO), which is responsible for overseeing and implementing the EU’s development programmes.

The motivation for the establishment of the EEAS lay in the fact that during the preceding years it became increasingly evident that there was still a large amount of incoherence with regard to EU external policy. At the institutional level, the EU’s external affairs were split between the intergovernmental Common Foreign and Security Policy and the European Security and Defence Policy on the one hand, and common policies such as neighbourhood, development and external trade policies on the other. These policy areas were developed independently of each other, resulting in poor coherence and coordination. Therefore, the rationale behind the creation of the EEAS was to bridge all fields of EU external action, at the global and regional level, in EU architecture and decision making.

The EEAS has been designed to play a role in shaping strategy and in programming development cooperation for all regions of the world, coordinating all external action and bringing together all geographical desks. The objective was to allow EEAS to focus on the overall political coordination of external action, whilst leaving the management of programmes to EuropeAid. The stated intention was to improve the links between development and foreign policy, combine the EC’s technical expertise with the Council’s political weight, and thus increase the EU’s global role. Development is the only policy area to straddle the EEAS and the EC. Figure 1 shows the post-Lisbon Treaty structure for EU external relations.

Coherence is both an internal and an external challenge for the EEAS. Assembling different cultures, management styles and fields of expertise has proved to be incredibly difficult: “Habits are ingrained. Loyalties are divided”.3 Except for DG Trade,

### Figure 1. Post-Lisbon External Relations Structure

<table>
<thead>
<tr>
<th>Policy Coordination</th>
<th>European Commission</th>
<th>European External Action Service</th>
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</thead>
<tbody>
<tr>
<td>Commission Vice President / High Rep for Foreign Affairs &amp; Security Policy</td>
<td></td>
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<table>
<thead>
<tr>
<th>Policy-making</th>
<th>Trade Commissioner</th>
<th>Humanitarian Aid Commissioner</th>
<th>Enlargement &amp; Neighbourhood Policy Commissioner</th>
<th>Development Commissioner</th>
<th>Com Vice President / High Rep Foreign Affairs &amp; Security Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>Trade</td>
<td>Humanitarian Aid</td>
<td>Enlargement</td>
<td>Neighbourhood</td>
<td>Development</td>
</tr>
<tr>
<td>Programming</td>
<td>Joint programming with Commissioner sign-off</td>
<td></td>
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<table>
<thead>
<tr>
<th>Implementation</th>
<th>DG ECHO</th>
<th>DG Enlargement &amp; DG DEVCO</th>
<th>DG DEVCO</th>
<th>EEAS</th>
<th>EU Delegations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geography</td>
<td>Global</td>
<td>Global</td>
<td>Western Balkans &amp; Turkey</td>
<td>Eastern Europe, Med, Middle East</td>
<td>Asia, Latin America / Global thematic</td>
</tr>
<tr>
<td>Instrument</td>
<td>€5.6bn</td>
<td>€11.5bn</td>
<td>€11.2bn</td>
<td>€16.9bn</td>
<td>€22.7bn</td>
</tr>
<tr>
<td></td>
<td>HAI</td>
<td>IPA</td>
<td>ENI</td>
<td>DCI</td>
<td>EDF</td>
</tr>
</tbody>
</table>

whose integration into the EEAS has never been considered, there are functional links between the other external relations DGs and the EEAS. Yet, these links are awkward at the best of times, in particular with the EEAS allocating the funds and leading on programming, while DG DEVCO leads on development policy (Marangoni, 2012).

While it is still too early to draw conclusions as to whether the new institutional framework will live up to the Lisbon Treaty’s promises, there are already signs that Article 208’s potential to refocus EU external policy on development is waning. The reality is that the allocation of development programming responsibilities to the EEAS entails risks for the PCD agenda and for the EU’s work on global public goods. To date, the EEAS has been dominated by the foreign and security policy bureaucracies in Brussels and in the Member States, raising concerns that development policy could be ‘securitised’ or undermined by short-term foreign and security policy concerns (CONCORD 2012).

The EU institutions play diverging roles in the provision of different GPGs, which often leads to a lack of coherence, or ‘turf wars’ between institutions. For example, in the EC, whilst DG DEVCO and DG Climate Change (CLIMA) emphasise the importance of adequately resourcing climate finance on the basis of additionality in order to avoid the diversion of existing ODA flows from traditional development assistance, DG for Economic and Financial Affairs (ECFIN) has taken a minimalist view (Carbone, 2007). In 2010, progress on a planned EC Communication on Climate Change and Development was stalled due to the lack of agreement on the issue of additionality within the EC, between the EC and the Finance Ministers Council (ECOFIN), and amongst the Member States themselves. Eventually, the Secretary General of the EC took the decision to cancel the publication of the Communication.

The Instruments
EU development aid and other policy expenditures are determined every seven years in framework budget reviews, or the MFF. EU development assistance is resourced from both the EU budget (around 70%) and the European Development Fund (EDF) (around 30%). The EU budget’s Development Cooperation Instrument (DCI) finances cooperation with 46 countries in Asia, Latin America, Central Asia, the Middle East and South Africa. The EDF (the financial arm of the Cotonou Agreement between the EU and 78 countries of the African, Caribbean and Pacific (ACP) group and the
Overseas Countries and Territories (OCTs), is an inter-governmental agreement of the EU Member States, based on their voluntary contributions.

In its current form, the DCI presents a dichotomy as a result of its single overarching policy objective, namely poverty eradication, and its heterogeneous geographical reach. Of the DCI countries, 20% are LICs, 47% are lower middle-income countries (LMICs), and 33% are upper middle-income countries (UMICs). Nevertheless, the DCI regulation requires all programmes to be consistent with the overall objective of poverty reduction and sets a benchmark of 100% ODA-eligibility for geographic programmes and 90% ODA-eligibility for thematic programmes. This lack of flexibility was brought to the fore during the mid-term review of the DCI. During the process, the European Parliament raised concerns that some of the activities programmed under the DCI’s geographic programmes would not meet the 100% ODA-eligibility benchmark. Initial draft Country Strategy Papers (CSPs) for Bangladesh and the Philippines (European Parliament Committee on Development, 2006a and 2006b) were revealed as explicitly referencing the objective of fighting terrorism, whilst in the Special Measure 2007 for Iraq, a feasibility study for the Akkas gas field had an overall objective of studying the conditions for exploration of the field and linking its output to the Syrian gas pipeline network (European Parliament, 2007). The European Parliament maintained that the activities programmed were not sufficiently oriented towards the poverty eradication objective and called for the withdrawal of the measures. The EC argued that it was becoming increasingly important to have the scope to fund measures beyond ODA in MICs and thus proposed to amend the regulation of the Instrument for Industrialised Countries (ICI) to extend its coverage to DCI countries in order to fund activities that go beyond ODA.

Despite the fact that poverty reduction is maintained as the central objective, a number of CSPs, in particular those for China, Brazil and India, include a more strategic orientation towards activities of mutual interest. In India, the EU follows a ‘two-pronged approach’. While still committed to fighting poverty, the EU’s objectives have moved “away from the aid rhetoric that had no objective beyond poverty reduction” (Coulon, 2008). Traditional development assistance is thus increasingly moving towards trade, economic and cultural cooperation, and areas of mutual interest such as energy, transport and the environment. The CSP for China 2007–2013 notes that China is moving away from being a traditional ODA recipient and that the cooperation programme is an important mechanism to support the EU’s own major economic and political interests in China’s development.
The EU is currently negotiating the MFF for 2014 to 2020. Negotiations are also underway for the 11th EDF which, as proposed, would cover the same seven-year period from 2014 to 2020. In December 2011 the EC unveiled its package of legislative proposals on the EU’s external action instruments for the next MFF.

Carried over from the current DCI is the proposal to give geographic programmes 100% eligibility for ODA, with 10% flexibility for the thematic programmes to cover non-ODA expenditure. The five current thematic programmes (Non-state Actors, Food Security, Investing in People, Environment, Asylum and Migration) all feature in the proposal for the new DCI, with some modifications, mostly in name and grouping: food security, investing in people (renamed as human development), environment (with climate change added) and migration (with asylum deleted), and with the addition of energy, are now all grouped under the thematic programme for Global Public Goods and Challenges. Two benchmarks have been set: 25% of the funding from the programme for Global Public Goods and Challenges must go to climate change and environmental objectives; and 20% of funding must go to social inclusion and human development. Non-state Actors (changed to Civil Society Organisations and Local Authorities) has been separated into a stand-alone programme, and a new pan-African programme has been created to support the objectives of the Joint Africa–EU Strategy.

The major shift in the new DCI is the emphasis on ‘differentiated development partnerships’ with more advanced countries no longer eligible to receive aid. All countries that represent more than 1% of the world’s GDP or are UMICs are now excluded from receiving bilateral aid. In practice, this would mean that from 1 January 2014, 19 countries would no longer be eligible for EC bilateral aid funded through the geographic programmes. Of the 19 countries, 17 are UMICs (Argentina, Brazil, Chile, China, Colombia, Costa Rica, Ecuador, Iran, Kazakhstan, Malaysia, Maldives, Mexico, Panama, Peru, Thailand, Uruguay and Venezuela); and two are LMICs with more than 1% of the world’s GDP (India and Indonesia). Two exceptions have been made: South Africa and Cuba, both of which are UMICs (Herbert, 2012).4

In combination with this policy of graduation, the EC proposes new partnerships with some of these countries, based primarily on “loans, technical cooperation or

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4 The European Parliament is disputing this on the grounds that some of the 19 countries still face “enormous poverty and inequality challenges”. With emphasis on the Human Development Index, the European Parliament’s formula results in Colombia, Ecuador and Peru being put back on the list of aid recipients: http://www.europarl.europa.eu/news/en/pressroom/content/20120917IPR51498/html/EU-development-aid-must-take-social-inequalities-into-account-say-MEPs
support for trilateral cooperation” (European Commission, 2011b). They are also expected to include any of the following: thematic cooperation on global public goods, trade agreements, directing funds to civil society, knowledge sharing, technological cooperation, cultural cooperation, public–private partnerships, capacity development for individuals and organisations, and consultancy and dialogue measures. The 19 countries would continue to be eligible for aid under regional programmes such as the investment facilities, or trade-related cooperation under the thematic programmes and instruments and the Partnership Instrument (PI). The idea is that the new partnerships would allow the EC to pursue mutual interest policies with the selected countries.

The proposal to cut aid to emerging economies presupposes that the EC has developed a strategy to find new ways to work with them to address global challenges. However, the focus of the PI is clearly on cooperation with EU strategic partners to promote mutual interests and give the ‘Europe 2020’ strategy a global reach, rather than on tackling regional and global problems or the provision of global public goods (where emerging countries are key). Apart from climate change, the main focus of the instrument is on growth, finance and trade. The budget proposed for the PI is a mere €1 billion (in 2011 prices) over the seven-year period. Thus, tackling global challenges is left mainly to the thematic programme on global public goods under the DCI (with a 90% ODA eligibility restriction), with a proposed budget of €6.3 billion out of a total of €20.597 billion for the DCI over the seven-year period.

Given the focus of the DCI on poverty reduction as well as the ODA-eligibility benchmark, inevitably funding for global public goods, and in particular climate finance, will be drawn from the ODA budget. Thus, any attempt to ‘score’ climate change flows outside of development aid, or even to set clear baselines against which to judge their additionality to aid, will prove futile. Evidently, the political necessities of providing climate finance outweigh the political incentives for protecting the boundaries of ODA (Kharas & Rogerson, 2012).

Climate finance is the prime example of the fundamental tension and policy challenge of allocating a finite pool of public resources equitably and efficiently against two separate, and sometimes competing, objectives. Given that the prime mitigation objective is to reduce emissions tonnage as fast as possible, mitigation funding will be concentrated on the largest emitters, which are the more populous MICs, mostly in Asia and Latin America. This concentration, however, runs directly counter to the DCI’s declared poverty focus, which must increasingly shift towards low-income, fragile states.
A less restrictive and more conducive set-up to capitalise on the complementarities between poverty reduction and geopolitical ends, would see the PI focused on tackling regional and global problems and on the provision of global public goods, leaving the DCI to focus on poverty reduction. This would allow EU development policy to pursue a systematic set of objectives and reflect the orientation of development cooperation towards a global structural policy. This set-up would separate funding directed towards poverty reduction and funding for global public goods, a distinction for which there have been repeated calls: “For reasons of both effective aid and adequate provision of global public goods, there is an urgent need to create a separate, complementary international component of the allocation branch” (Kaul et al. 2003).

The EU Food Facility
An example of an instrument established to address a global public good, food security, is the EU Food Facility. The EC’s decision to establish a Food Facility was situated within the complex scenario of the international community’s reaction to the food price crisis that erupted in late 2007 to 2008. It established a €1 billion fund for projects intended to alleviate the impacts of the crisis through short to medium-term projects carried out by international and regional organisations, as well as non-state actors and budget support programmes. The primary objectives specified in the regulation were to: (1) boost agricultural production in target countries and regions; (2) support safety nets to mitigate the negative effects of volatile food prices on local populations; and (3) strengthen the productive capacities and the governance of the agricultural sector to enhance the sustainability of interventions. Since it was supposed to act against the effects of a crisis, the process needed to be extremely quick, yet it was necessary to pass through all the formal steps foreseen by the EU legislative procedures.

The funds for the Food Facility were intended to be drawn from the balance of the CAP, amounting to over €3 billion which had not been spent because of the increase in world food prices. However, the idea of using the unspent balance of Heading 2 of the EU budget (‘Preservation and management of natural resources’) was considered to be “inappropriate and confusing” by the Committee on Budget,\(^5\) which suggested maintaining the funding of the Facility within Heading 4 (‘European external ac-

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A decision was finally reached by the European Parliament and the Council to provide part of the financing for the Facility by increasing the Emergency Aid Reserve, using the Flexibility Instrument and redeploying some external actions to find the €1 billion. This short-term solution has been problematic given the longer-term nature of the projects around boosting production.

Motivated by its normative stance, the EC reacted to the crisis with the establishment of the Food Facility. However, it has been criticised for not adequately contributing to the prevention of new crises through failing to address the structural causes of hunger and of price volatility and not sufficiently linking it with longer-term efforts to do so (Rondinella & Nuova, 2010).

Scale and speed are particularly important criteria for shock absorber schemes, so they can have a genuinely counter-cyclical and significant effect on developing countries facing external shocks. For the next MFF, Griffith-Jones and te Velde argue that 5% of the overall amount for EU external action will need to be reserved for a shock facility, and more could be pooled from the EU Member States. They suggest: (1) setting of clear trigger variables, for example using forecasts such as those on GDP and the current account as elements, because this allows for faster allocation of resources; (2) establishing a team of researchers at the EC to monitor shocks in collaboration with partner countries; (3) introducing the concept of resilience and resilience building into future EU shock facilities; (4) using blending schemes provided by the European Investment Bank and financed from EC resources for large infrastructure projects; and (5) working with others to help to improve additionality and the leveraging effect of the EU’s interventions, as well as providing sufficient scale to deal with large shocks (Griffith-Jones & te Velde, 2012).
How does the EU fare in international negotiations?

As the Lisbon Treaty commits the EU to “promote an international system based on stronger multilateral cooperation and good global governance,” the EU often portrays itself as the multilateral player par excellence for global governance. Yet, as national self-interest and a lack of political will often prevail, the EU’s record on these ambitions remains ambiguous (Borrell, 2012).

It is important to understand the drivers of collective action in international negotiations, as well as the specific nature of the EU: its legal framework, the way in which the scope for collaboration is defined, the rules of engagement, the decision making framework, the underlying values and the interests of the Member States.

There has been and continues to be a running struggle to define the limits of power of the EU. Federalists have argued for ceding more power to the EU, and intergovernmentalists have attempted to retain power in the hands of the Member States and have thought of the EU more as an intergovernmental forum to coordinate national objectives and strengthen each member’s own self-interests. All of the compromises along the way have reflected the tensions between these two divergent forces. Others argue that rather than becoming a super state or a mechanism to represent enlightened national self-interests, the EU has metamorphosed into a third form. It has become a discursive forum whose function it is to referee relationships and help coordinate activity amongst a range of players. The EU’s primary role has become orchestral (Rifkin, 2004). Yet, the orchestra rarely plays together.

A review of European integration theory suggests that specific conditions need to be met for the EU to ‘speak with one voice’ as a global actor:

- An ‘institutional’ approach sees the EU’s institutional constraints as an obstacle to collective action. Reiter argues that EU Member States are more reluctant to act collectively if the institution deals with a broadly defined area of cooperation (Reiter, 2005). In international fora, the level of collective action is likely to be higher in cases of consensus-based decision making, a narrow scope and binding

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rule of international cooperation, as well as in cases of an inclusive membership of all EU Member States in the institution. For example, EU Member States in the OECD’s Development Assistance Committee (DAC) are reluctant to act collectively given the broad scope of the organisation, its focus on best practices and soft law, as well as the dominance of EU countries in the total membership and the fact that not all EU Member States are part of the organisation (ibid). In comparison, in the World Trade Organisation, “the EU Member States have a shared interest to agree to act as a single entity” and the well-defined scope of the organisation means, “that intense coordination poses less of a threat to the EU Member States” (ibid).

- Liberal intergovernmentalism argues that progress in European integration has followed from the convergence of the economic interests of important domestic groups in European countries (Moravcsik, 1998). The EU is regarded as an international institution, rather than a global actor. Adopting a common policy requires that Member States weigh the potential benefits of a common policy against the potential costs of a policy that is not to their liking. Hence, there is a clear trade-off between the advantages of scale and the disadvantages of overriding heterogeneous preferences. For example, although the EU has an official role in aid coordination, in reality, the EC acts mostly as a 28th donor.

- Social constructivism argues that agents and structures are mutually constitutive. Social learning is considered more likely among actors sharing values, facing crises or policy failure, meeting repeatedly with a high density of interaction. Groenleer and van Schaik, for instance, find with regard to the negotiations on climate change that, “Member State representatives appear to have been ‘socialised’ by the interaction during the frequent meetings taking place in Brussels and the EU coordination meetings at international conferences” (Groenleer & van Schaik, 2007).

The reality is that a combination of legal competences, institutional factors and the EU Member States’ constellation of interests and collective identity (or lack of it) prevent the EU from having its voice heard. From a legal perspective, development cooperation is a shared competence between the EU and the Member States. Its governance model is a mix of supervised delegation to the EC and coordination. Externally, EU development cooperation is represented both by the EC and the Member States, which may have different donor interests. Finally, the lack of a collective EU identity may also prevent a joint external representation. A shared belief would have to be constructed about the appropriateness of a single EU seat or EU membership.
Table 2 illustrates the different governance models across issue areas. EU positions are decided on within the Council of Ministers, comprised of representatives of the Member States. Since the Lisbon Treaty entered into force, the Foreign Affairs Council has been presided over by the EU’s High Representative, currently Catherine Ashton, who represents the EU on foreign and security policy externally, while the President of the European Council takes over when discussions take place at the highest political level. For other issues, the EC is usually in the lead when legislative competences are fully transferred to the EU level (for example, on trade). For issues of shared competence (such as development cooperation and climate change policy),

<table>
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<tr>
<th>Development policy</th>
<th>Trade policy</th>
<th>Foreign policy</th>
<th>Climate Change policy</th>
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<tr>
<td><strong>Competence</strong></td>
<td><strong>Governance model</strong></td>
<td><strong>External representation</strong></td>
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<tr>
<td>Shared⁷</td>
<td>Mix of supervised delegation to the EU Presidency or EC and coordination</td>
<td>Commissioner, rotating Presidency and Member States</td>
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<tr>
<td>Exclusive⁸</td>
<td>Supervised delegation to the EC</td>
<td>Commissioner (based on Council authorisation)</td>
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<tr>
<td>Supporting⁹</td>
<td>Coordination</td>
<td>Member States (with the High Representative and the President of the European Council)</td>
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</tr>
<tr>
<td>Shared</td>
<td>Mix of supervised delegation to the EU Presidency or EC and coordination</td>
<td>Commissioner, rotating Presidency and Member States</td>
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7 Article 4 of the Treaty on the Functioning of the EU: the EU and Member States are authorised to adopt binding acts in these fields. However, Member States may exercise their competence only insofar as the EU has not exercised, or has decided not to exercise, its own competence.

8 Article 3 of the Treaty on the Functioning of the EU: the EU alone is able to legislate and adopt binding acts in these fields. The Member States’ role is therefore limited to applying these acts, unless the Union authorises them to adopt certain acts themselves.

9 Article 6 of the Treaty on the Functioning of the EU: the EU can only intervene to support, coordinate or complement the action of Member States. Consequently, it has no legislative power in these fields and may not interfere in the exercise of these competences reserved for Member States.
the Presidency usually represents the EU on the basis of a position coordinated within a committee composed of the Member States and the EC. For example, in the United Nations (UN) the EU is represented by the EC as an observer, with no right to vote and limited rights to speak. But preponderantly, it is the rotating Presidency, exercising its right as a nation-state, which speaks for the EU. The Presidency is also responsible for internal coordination among the EU Member States, the preparation and negotiation of draft resolutions etc., and the delivery of statements, explanations of votes and so on, on behalf of the EU. However, there is once again a difference of opinion: the EC believes that it should be in the lead, following the entry into force of the Lisbon Treaty, but the Member States contest this view, insisting on having their own representatives as their leads.

In international negotiations the EU adopts common positions and speaks and negotiates as a bloc. Individual Member States play their part by participating in the coordination of EU positions, and from time to time by promoting particular issues or policy ideas in side events or other ways. There have, however, been instances where Member States have taken it upon themselves to negotiate individually on particular issues.

A glaring example of this tension manifested itself at the December 2009 Copenhagen Summit on Climate Change. In spite of an EU common position, European Heads of State did not let the EC negotiate on their behalf, and without the unequivocal backing of its members, the EU was powerless to prevent the United States, China and India from side-lining its proposal. In addition to institutional and legal intricacies, the EU’s performance in international negotiations is also hampered by the fact that it has struggled to build the broad coalitions required for getting signatures on binding international agreements for global public good provision.

In 2011, Simon Maxwell commented, “Durban may well provide a case study of why it is sensible for Member States to work together through the EU, and how to do it ... Is it sensible to think, for example, that the global public good would be served if EU Member States concentrated more of their climate change energy through Brussels institutions rather than bilaterally – giving Connie Hedegaard [the European Commissioner for Climate Action] more bargaining power in the negotiations over a new treaty?”

10 http://www.simonmaxwell.eu/blog/reflections-on-the-durban-outcome.html
In a recent paper on the Durban Summit held in December 2011, Louise van Schaik illustrates the contribution of the alliance between the EU, the Least Developed Countries (LDCs), the Alliance of Small Island States (AOSIS) and a number of other progressive countries, to securing a deal on future negotiations on climate change. The alliance guaranteed the EU entry into the inner circles of the negotiations and helped ensure it was not isolated. In turn, this helped put pressure on the US and the emerging economies, which were, one by one, pressured into shifting position, India being the last to move (van Schaik, 2012).

Others, however, dispute this claim of a ‘progressive alliance’, claiming that developing countries do not want to be portrayed as being led by developed countries. In March 2012 the EU came under fire for the misleading press stories of a Durban ‘troika’ presenting the EU as the leader holding hands with the most vulnerable and the poorest countries. Nevertheless, the EU did play a catalytic role in Durban, but they could not have done it without the LDCs, AOSIS and the Latin Americans.

In the year since Durban, cracks have appeared in the EU’s global alliance. The EU aroused anger in the US, China and elsewhere by including all flights from and to Europe in its emissions trading scheme. It irritated Russia and Ukraine by announcing it would ban their Kyoto surplus emissions from the European carbon market. Furthermore, its relationships have become strained with developing countries asking the EU to step up its mitigation and climate finance efforts.11

11 http://www.europesworld.org/NewEnglish/Home_old/CommunityPosts/tabid/809/PostID/3345/TheEUsbalancingactinDoha.aspx
The EU as a norm setter

The EU officially recognises the challenge of the provision of GPGs and the development of a global governance order, and claims in a normative manner that it contributes to finding new approaches and providing solutions. The idea of effective multilateralism has become part of the EU’s self-reflection, taking the form of a ‘doctrine’ (Hill et al. 2011). For the EU, effective multilateralism means a new approach to effective global governance, and with the external policy aims formulated in the Lisbon Treaty and with the creation of the EEAS, the EU has formulated ambitions for itself to become a strong and cohesive force in the global arena. It often portrays itself as the multilateral player par excellence and on its agenda for global governance, multilateral cooperation is a key element (ibid). The EU wishes to play a leading role in implementing effective multilateral cooperation and in defining rules for a legitimate and efficient global governance system.

However, as so often when it comes to Europe’s external actions and the EU’s role as a global actor, its record on these ambitions has been ambiguous, with the EU struggling to find its role. Even though it is quite obvious that the EU Member States would generally benefit from a European response to many global problems, national self-interest and a lack of political will often prevail. If the EU really intends to fulfil its often-noble ambitions, it has to narrow the gap between rhetoric and action and develop a coherent strategic approach to reaching these aims.

EU international climate policy

Since the inception of the UN climate regime in the early 1990s, the EU has aspired to play a leading role in the global fight against climate change (Gupta & Grubb, 2000). This aspiration has been expressed in a very active participation in international talks on climate change, particularly during the process of negotiating and ratifying the Kyoto Protocol, but also during the struggle for the post-2012 reform of the climate regime (Oberthür & Roche Kelly, 2008).

To many, the EU displays a range of characteristics of a normative power. Thus, the EU’s international (and domestic) climate change policies result from its adherence to particular norms, such as multilateralism and international law and sustainable development. Yet, even if the EU adheres to these norms, it stands to be examined whether it really behaves as a norm-driven actor.
A smaller number of authors have explained the EU’s proactive stance in international climate change politics on the basis of its interests. Thus, the EU would defend internationally those interests shared by the EU’s Member States, rather than striving for the definition of what is considered ‘normal’ in the world. The EU’s suboptimal performance in global climate negotiations could then be explained by the diverging interests of other major players or an otherwise weak bargaining position.

As such, the question is: to what extent are the EU’s efforts on international climate change motivated by norms and interests? As argued earlier, norms and interests are not mutually exclusive. Various actors and different Member States within the EU may be motivated by diverging reasons at different points in time (Schreurs & Tiberghien, 2007). However, the fact is, despite uncertainty about gains and cost, the EU has endeavoured to lead the world on climate change in line with its normative foundations and the EU’s international climate policy is primarily guided by what it considers appropriate action. When some Member States resist, the majority of the Member States have found ways of ‘effort-sharing’. This has allowed the EU to internally mediate between differences in interests so as to protect its broader, norm-driven agenda. Therefore, norms – supported, but also limited at times, by interests – are the key driving factors for EU action.

At times, the EU has been successful in promoting its positions – notably during the post-Kyoto period when ‘saving’ the ratification of the Protocol. In many other instances, and most prominently at Copenhagen, the EU has not attained its objectives, and its predominantly norm-driven approach has yielded little practical impact (Rosecrance, 1998). Other key actors have been more interested in protecting their short-term interests, and thus the EU’s ability to successfully use its normative resources to exert influence on the world stage has actually been rather limited.

In going forward, the EU needs to combine its normative power aspiration with greater pragmatism and improved negotiation tactics. Other players’ interests need to be understood, taken more seriously (even if they do not match EU interests and values) and addressed. This will mean greater efforts at coalition building with those industrialised countries that are more prepared to undertake emission reduction efforts than the United States (for instance Australia, Japan and New Zealand) in the form of strategic energy and climate partnerships with the major developing countries, and through concrete energy and development partnerships.
with key LDCs (van Schaik & Schunz, 2011). In short, the EU needs to become a more flexible and strategic foreign climate policy actor. Practically, this would necessitate an increased involvement of the EEAS in the making and implementation of its external climate policies, so far largely dominated by the environmental policy community.
Making it happen

This paper has discussed the EU’s potential to play a leading role in the provision of global public goods. It has analysed the EU’s policy, institutions, financial instruments and track record in international fora, in order to assess whether it has the complete toolbox to engage both on the European and the international stages in global governance and in the provision of global public goods. While the EU has begun the transition from its traditional role as a group of donors towards its new role as a development partner, in order to meet the demands of a changing world, its toolbox is still incomplete.

The EU needs to adapt to a changing global landscape. The redistribution of power on a global scale, pushed by the emergence of new centres of power, as well as the urgency of global challenges, highlights the need for more robust forms of multilateralism, which will deliver global public goods. In order to do this, the EU needs to promote a global vision and a global development approach with common narratives on the challenges that need to be tackled, recognising that development cooperation is one of the rare tools available to actually cement that collective action on GPGs. It also needs to combine its normative power aspiration with strategic interests and ensure that it is flexible enough to create alliances with groups of countries that are promoting multilateral solutions in their regions and on a global scale.

A five-point action plan suggests a way forward for the EU:

1. The EC and the EEAS should produce a joint umbrella (‘chapeau’) Communication detailing how the EU intends to adapt to a changing global landscape. A series of joint Communications should follow addressing a selection of issues that the EU can realistically tackle, with clear priorities, the necessary resources to implement emergent strategies and accountability mechanisms;

2. The EU should agree resourcing strategies and financial instruments that are flexible, yet predictable, and which signal to the rest of the world that the EU is ready and willing to take greater responsibility for solving global problems, and thereby to have more say in how these problems should be addressed. While the new thematic programme for Global Public Goods and Challenges in the DCI is a small step in the right direction, it is severely constrained by the DCI’s ODA-eligibility benchmark and the restrictive focus of the instrument. A less restrictive set-up would see a well-resourced partnership instrument, focused on tackling
regional and global problems and on the provision of global public goods, with a development instrument focused on ‘traditional’ aid to reduce poverty;
3. The EEAS must ensure that it plays a key role in improving the EU’s internal coordination, as well as the coherence of EU external action and instruments, as they affect developing countries. The impact of the EEAS will remain limited for as long as the Member States continue to keep substantial parts of their own multilateral engagement disconnected from the EEAS and from the EC;
4. A more or less permanent ‘division of labour’ in development cooperation should be agreed between the Member States and the EU, based on the logic of comparative advantage whereby the EU and the Member States find their competitive niche and form ‘delivery partnerships’. This would require the Member States to coordinate their policy positions not only at the national level but among the different line ministries as well;
5. A concerted effort should be made by the Member States to concentrate more of their energy on global public goods through EU institutions rather than bilaterally.

As Giovanni Grevi put it: “Europe’s global strategy should be about shaping change, and not countering or denying it, in ways that are consistent with Europe’s core values and evolving interests. The catchword is therefore not containing (unadvisable) or driving (unachievable) change, but co-shaping it with other influential state and non-state actors by seeking new deals, promoting the reform of the international order and initiating cooperation on specific issues or crises” (Grevi, 2012).

The EU strives to be an active player in shaping globalisation and in providing global public goods. Without doubt, it has the general potential to do so. The structural caveats, however, that hinder this intention and potential, continuously jeopardise the EU’s role in shaping the global world. Only when the EU institutions and its Member States avoid, or at least control, their usual turf battles and start to speak and act coherently, will they be able to exert global leadership. Achieving this coherence remains the EU’s core challenge in being an influential global actor and in successfully providing interdependent public goods in a multilateral international setting.
References


