

# Conceptualising Europe's Market Power: EU Geostrategic Goals Through Economic Means

Written by Simon Pompé

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SIMON POMPÉ, MAR 23 2021

In 1991, former Belgian foreign minister Eyskens first described the European international power as “an economic giant, political dwarf and military worm.” This has become proverbial since many see the EU’s disunified external relations domain and lacking military integration as a source of weakness. In 2017, authoritative scholar Moravcsik countered: “Europe today is a genuine superpower and will likely remain one for decades to come. By most objective measures, it either rivals or surpasses the United States and China in its ability to project a full spectrum of global military, economic, and soft power.” Positioning itself in the middle between these two poles, this essay makes a conceptual argument that the EU is fundamentally an economic superpower that also disposes of significant political power. While military policies exist, they are overshadowed in importance. Thus, the essay subscribes to the concept of “Market Power Europe” (MPE), put forward by Damro (2012), bar some modifications.

To arrive at that conclusion, the essay first reviews the conversation around the character of the EU’s international power to demonstrate that the EU’s capacity to leverage its economic weight and externalise governance rules are central. The section also takes into account the variability of the concept of power. Second, a discussion of the MPE idea serves to conceptualise what kind of superpower, if any, the EU is. Finally, a case study of the EU’s confrontation with Russia over the 2014 Ukraine crisis illustrates the argument. Thus, the essay hopes to contribute a theoretically and empirically sound argument about what kind of power the EU is on the international stage.

### **The many camps of the European power debate: confusing the normative power**

Moravcsik’s (2017) argument for the EU’s superpower status provokes the question to what extent at all Europe acts as a power since it is not a traditional state. Power is a central variable for international relations (IR), and highly elusive and depending greatly on which IR worldview a scholar employs (Andreatta and Zambenedi, p. 74, 2017). Hence, this section reviews some arguments about the nature of European international power according how they relate to the three major IR theories.

Manner’s (2002) famous or infamous contention that the EU’s standing represents a “Normative Power Europe” (NPE) in the world sparked a flurry of responses and rebuttals. His main argument stipulates that the EU seeks to exercise global influence by seeking change in what is “normal” (p. 253) in international politics. The EU is effective in altering rules and norms according to its own image, mainly through signalling tools such as declarations and resolutions, but also through campaigning. Arguably, also physical policy, like democracy support in Ukraine, could signal a normative agenda. This focus on the interstate construction of norms positions Manners firmly in the constructivist and/or critical camp of IR (e.g. Manners, p.227, 2011). However, the term “normative” should not be misunderstood as portraying the EU as an inherently moral and democratic norms-proponent; an ethical power. Instead, Manners’ (2011) assertion is merely that the EU’s power is changing the ‘rules of the game’ towards its preferences. Europe’s economic model, political norms and diplomatic conventions are exported, none of which are inherently moral; they are just European. Norms serve a purpose, which itself converges with the EU’s geopolitical interest.

After NPE, the EU has been characterised with many different adjectives. For example, Zimmermann (2007) argues

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the EU to be a realist power like any other, because the executive and its agents are the drivers of its foreign policy, dismissing domestic players like parliaments (p. 827). Arguably, though, the realist argument, whose foundations are the notions of 'black-boxed' states, international anarchy and limited room for the importance of norms, is the hardest to defend in the EU's case due to its demonstrated ambitions for multilateralism and mutual economic gain, and multi-level governance system, where national and European foreign policies coexist and converge. Contrastingly, Wagner (2010) modifies NPE by identifying a distinct character of EU foreign policy, dubbing it "liberal power Europe", while acknowledging the term's ambivalence and malleability (p. 1401). Thus, he specifies NPE towards a more concrete kind of normative power, representing liberal IR theory, wherein economic mutual gain, rationalist bargaining and multi-arena diplomacy are key factors. MPE can be located at the intersection of constructivist and liberal IR theory.

## Expanding MPE beyond business interests

Damro (2012) engaged with the conversation by emphasising the economic character of EU power. This alone places it close to the liberal IR camp, but MPE also assumes NPE's insight that it is necessary to look at Europe's internal identity in order to conceptualise its actorness in IR. However, MPE notion departs from NPE insofar as that instead of normativity constituting the core of EU identity, its historically constituted economic integration stemming from its post-war legacy does.

Therein, the EU is principally characterised by three dimensions. Firstly, the EU is the largest foreign direct investor, the greatest trading power, and a major developmental donor. Europe's single market is the world's largest, and its source of power (p. 686); an 'economic giant', as stipulated by Eyskens. Secondly, the EU is a powerful regulator of not only its own model of capitalism, but also of the world's regulatory system by influencing institutions and third countries through its trading preferences (p. 687). Due to the attractiveness and size of Europe's market, many firms or countries have little choice but adopting EU rules and cannot easily abandon this market. Additionally, the EU is even in a legal and political position to sanction or reward noncompliant firms or states through the Commission's and agencies' power in competition and trade matters. Thirdly, the EU's external relations are characterised by its many member states' and stakeholders' internal, competing interests. Consequently, the European foreign policy "constitutes itself differently at different times", depending on which institutions and internal coalitions are pushing for which foreign policy outcomes (p. 688). This essay finds that these insights hold considerable explanatory power.

The EU leverages its economic weight skilfully. Meunier and Nicolaïdis (2006) make the important contribution that "the Union is not only a formidable power *in* trade. It is also becoming a power *through* trade, using access to its huge market as a bargaining chip to [...] more generally to shape new patterns of global governance" (p. 907). An important clarification, because this essay argues not that, under MPE, the EU has nothing but economic interests. Instead, it achieves also non-economic interests through chiefly economic means. This mechanism can be simply termed conditionality; the idea of rewarding or sanctioning the adoption of EU economic or political rules. However, they highlight the tension between the EU's aspirations to a legitimate, lawful, multilateral way of conducting foreign policy and the implications of leveraging economic weight in a quasi-mandatory, domineering way (p. 923). There is little choice for small countries in the neighbourhood but adhering to the Union's demands. Conditionality can thus be highly coercive. Sicurelli (2014) adds that the normative idea to leverage trade in order to incentivise the partner country to adopt humanitarian and democratic standards is hampered by EU internal actors disagreeing over whether to prioritise normative or business interests. This dynamic corresponds to Damro (2012) identification of interest contestation as characteristic of MPE (p. 688).

Furthermore, conditionality enables the externalisation of the EU's model of economic or political governance. Following Lavenex and Schimmelfennig (2009), the EU can transfer its policies to its partners, often in the neighbourhood through the enlargement and neighbourhood policies, and thus diffuse its norms and rules throughout the global market. For adopting EU rules, partner countries gain market access. This confirms NPE, but also corresponds to Damro's (2012) identification of regulatory power and single market power as defining characteristics of MPE (pp. 688-687). The latter holds more explanatory power because it allows room for the fact that adopting the EU rules is often not optional for countries who depend on its market due to geographic or political dependency. In sum, this essay agrees with this modification of conceptualising Europe as being conflicted between NPE's normative and MPE's economic focus. The EU aspires to many normative interests but realises it through economic

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means. This interaction can be detrimental.

## How Europe levied its market power to sanction Russia

Damro (2012) left a significant analytical reduction in his argument by not examining MPE's implications for the security and defence policy domain (p. 697). This paper contributes to the conversation by following his call (p. 690) for more scrutiny of how MPE's three central characteristics affect policy outcomes to different degrees. The three characteristics of the EU as a single market, as a regulatory power and as determined by interest contestation can be seen as independent variables who affect the dependent variable, being the shape of the policy outcome, to differing degrees. Hence, this essay briefly analyses the EU sanctions response to Russia annexing Ukraine in 2014 as a case study. It is selected because the sanctions were concluded as part of CFSP/CSDP. In this domain, economic measures should be dominated by security means and concerns. Therefore, represents a 'least likely case'; If MPE holds valid here as a concept, then it should have significant explanatory power anywhere. Additionally, the case is suitable to test Moravcsik's (2017) superpower argument. While Russia's superpower status is debatable, it is significant enough that all major superpowers have to organise their relations with it in some way.

Euro-Russian tensions over Ukraine peaked in March 2014 when Russian forces annexed the Crimean Peninsula in response to government overthrows in Kiev and a pro-Russian referendum in Crimea. As this was widely regarded as a violation of international law by most of the international community, the EU imposed wide-ranging sanctions on Russia (European Council, 2020). The EU Global Strategy (2016) states that the EU remains committed to fostering stability in Ukraine as an outpost against Russian encroachment on the region's security order (p. 33) and employs a strategy of supporting its partner countries through trade benefits and financial support (pp. 25, 39). An example would be the Association Agreement between EU and Ukraine of 2017, which entails a significant trading partnership. It is telling that the bulk of the EU's crisis response in Ukraine compromised economic tools.

Even though it was decided in the intergovernmental CFSP framework and not CCP, sanctions are essentially economic measures and MPE's three central characteristics are highly applicable. Firstly, the EU drew its power from its enormous single market. Together, the EU is the largest trading partner of Russia when adding imports and exports (Eurostat, 2020). Therefore, market access matters significantly to Russia. Secondly, the EU is thus in a position to regulate, reward and sanction Russian economic actors through conditionality. Together, the first and second characteristic manifest in the potent form of sanctions. They fall short of the irreversibility of military action, while still being effective in disrupting Russia's economy and capacity to wage war, in the long-term at least (Liik, p. 12, 2018). Many state energy companies and oligarchs are blacklisted by the EU, which disrupts cash flows to the Russian decision-making elites. Politically, Putin has not made enough gains in Ukraine or the domestic arena, aside from keeping Ukraine locked in conflict, and so indications of an exit strategy accumulate (Liik, p. 15, 2018). This demonstrates how MPE can exert meaningful impact on partners. Thirdly, interest contestation also was relevant for the case study. It was remarkable in the sense that interest contestation and the many differing geopolitical and geoeconomic interests of EU member states did not prohibit the conclusion of common sanctions, nor did it fell the sanctions regime thus far (pp. 7 -11). Therefore, when Damro (2012) calls for more research into how the three characteristics affect policy outcomes differently (p. 690), this essay contributes that interest contestation affects the outcome positively when the unity of actor coalitions prevails. In sum, it is evident in its declarations (EU Global Strategy, 2016) and actions that the EU is aware of its MPE nature and has therefore made use of its economic leverage to shape its geostrategic interest in the region.

Another viewpoint could be represented by Mearsheimer (2014), who argued that the EU's decisive action is sign of its fundamentally realist nature. In his view, Europe's assertiveness in the Eastern neighbourhood was motivated by security concerns and prompted the Russian invasion, itself motivated by security concerns. Therefore, any pretense about the EU's normative character were baseless. However, this view assumes erroneously that the EU interest is singular and unambivalent, just as a traditional state's interest would be. Contrastingly, MPE offers more explanatory power by taking the interest contestation characteristic into account and arguing that many different actors in the EU's multi-level governance system exert influence on policy outcomes. Due to this, a market-based response was the result, and not a military one. Due to the interest contestation characteristic, the necessary integration consensus to projecting military force towards Russia has been historically impossible thus far. Instead, the EU externalised its

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governance rules to both Ukraine, through the Association Agreement, in order to foster resilience, and to Russia by means of negative conditionality in the form of sanctions that cut off market access.

In sum, MPE offers a convincing explanation for the EU-Russia conflict because it considers what the EU actually did in response, where its power resources lie, and how its internal structure affects the final policy outcome.

## Conclusion

To return to Moravcsik's (2017) contention of whether the EU can compete with other superpowers, this essay has advanced MPE as a useful concept to approximate an answer. By virtue of its immense economic weight, the assumption of the EU's primary economic power is logical. Additionally, the empirical section reveals that the economic channel is the most meaningful one even in intensely securitised issue areas such as the Ukraine conflict. This is channelled through the three characteristics of MPE, being the fact that power resides in Europe's economic weight, its capacity to regulate, reward and sanction other actors, and its internal interest contestation affecting policy shapes (Damro, pp. 686-688, 2012). The success in Russia proves that, yes, the EU is a, economic superpower, which crowds out the relevance of military projection.

The essay has some limitations. For one, it did not engage explicitly with Moravcsik's (2017) argument on soft power. A conceptualisation, quantification and assessment of such power is beyond the employed case study's scope. Furthermore, when making the point that the unity in interest contestation mattered to the sanctions regime's success, further discussions on the importance of such member state coherence could shed light on how significantly MPE is affected by the interest contestation characteristic. Other scholars may engage more deeply with Thomas' (2012) argument that coherence is a necessary, but not sufficient condition to effective European foreign policy. More generally, the EU is evidently still attached to its market integration history. Not least through trade, the EU is no longer 'a political dwarf' internationally, but it remains to be seen whether integration will progress to a degree where military projection rivals economic leverage.

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