

## The Geopolitical Commission: Learning the ‘Language of Power’?

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### Executive Summary

- > The European Commission under President Ursula von der Leyen has branded itself as a ‘geopolitical Commission’. Does this imply a geopolitical turn in the external action of the European Union (EU)?
- > According to High Representative Josep Borrell, the EU needs to learn the ‘language of power’ so as to translate its resources into geopolitical impact. First fledgling signs of a search for more economic sovereignty, strategic autonomy, leadership and ‘weaponised’ trade have emerged already in recent years. Many of these initiatives still need to be implemented while new ones are being added.
- > Geopolitical EU external action implies a more integrated external action. It also means reinforcing the EU’s resilience against external pressure, while not neglecting ‘geopolitical cooperation’ in the face of geopolitical competition. The geopolitical Commission will have to find a ‘European way’ to deal with great power challenges in line with the EU’s capabilities and values.

On 1 December 2019 the new European Commission, led by President Ursula von der Leyen, took office. One of its key priorities is to create a stronger Europe in the world. While in 2014 her predecessor Jean-Claude Juncker had announced a ‘political Commission’, von der Leyen has promised that hers would be a ‘geopolitical Commission’. For this purpose, the new High Representative and Vice-President (HR/VP) Josep Borrell has been tasked with coordinating the external dimension of the work of all Commissioners in order to make it more coherent and strategic. But what exactly does a ‘geopolitical Commission’ entail? Will the EU learn the ‘language of power’ and behave more like other great powers?

### Great power rivalry: a new kid on the bloc?

French President Macron recently warned that in the long run the EU might ‘disappear geopolitically’ if it did not wake up to the challenges of an increasingly hostile world (The Economist, 2019). In his view, Europe is fragile with the United States (US) seemingly turning its back on it under President Trump, an assertive China rising under a more authoritarian President Xi, and other strongmen like Russian President Putin on the EU’s doorsteps. The United Kingdom’s departure is not conducive to boost the EU’s geopolitical influence either.

Geopolitics lacks an agreed definition but can generally be understood as ‘great power rivalry’, which tends to view influence as a zero-sum contest of control over territorial (and increasingly also virtual) spaces, and does not separate economic from political or even military tools in this competition.

Although economic and security questions are increasingly intertwined, the EU’s external economic policies and its foreign and security policies have remained rather insulated. By contrast, China’s one-party system does not treat the economic realm as separate from the geopolitical spheres. The US under President Trump has also become more willing to unilaterally leverage its power to secure certain policy outcomes, even to the detriment of the international rules-based system and EU interests. Finally, Russia’s limited economic clout did not prevent it from the annexation of Crimea and involvement in the war in eastern Ukraine and elsewhere.

The EU has embarked on various responses to this new multidimensional constellation of conflicts. In the words of HR/VP Josep Borrell (2020), “Europeans must deal with the world as it is, not as they wish it to be. And that means relearning the language of power and combining the European Union’s resources in a way that maximises their geopolitical impact”. A geopolitical Commission can thus be expected to engage in what other great powers are

doing when it comes to leveraging economic weight: ‘weaponising’ trade, that is, using it as a coercive tool to achieve strategic influence, enhancing economic sovereignty and strategic autonomy, and striving for technological supremacy and leadership.

This policy brief takes stock of some major current challenges and EU responses and argues that the Union will need to pursue a more integrated, coherent external action while finding its own way to approach geopolitics.

### **Trade policy: towards weaponisation?**

In trade the EU is a power equal to the US and China, making this field of exclusive competence a likely candidate for a geopolitical approach. So far, however, trade has not really been used as a ‘weapon’ – except in the case of sanctions against Russia.

By putting ‘America First’, US President Trump has not only triggered a ‘trade war’ with China, but to a lesser extent also with the EU after ending the negotiations on a Transatlantic Trade and Investment Partnership. With his strategy, Trump is seeking to ‘decouple’ its economy from China and instrumentalise trade policy for strategic influence and security gains. The EU approach is less confrontational and rather aims to retain its openness to trade with China (and the US) while taking measures to better defend its economic interests. In a joint Communication, the European Commission and HR/VP (2019, 1) for the first time referred to China as being “simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance”. The EU’s goal is not to contain China and decouple their economies but to “develop a more balanced and reciprocal economic relationship” (ibid., 6).

Among the EU tools in this regard are the new screening mechanism for foreign direct investment, reformed trade defence instruments (including a new anti-dumping methodology which no longer distinguishes between market and non-market economies), a strategy for the protection and enforcement of intellectual property rights in third countries, the proposed International Procurement Instrument as well as the recently created position of Chief Trade Enforcement Officer. Some member states, in particular France, Germany, Italy and Poland, would also like to reform EU competition law, especially anti-trust rules, in order to facilitate cross-border mergers and create European champions which can compete with rivals from China and the United States.

Most of these initiatives predate the von der Leyen Commission. A major test will thus be the reform of competition and industrial policies.

Closely related to the trade challenge is the question of the EU’s economic sovereignty.

### **Finance: towards economic sovereignty?**

The empowerment of the Euro is still at the very beginning. The Euro has become the second international currency after the US dollar. Yet it is far from playing the central role of the latter, nor can the EU match the place of the American financial system in the global financial architecture.

President Trump’s withdrawal from the nuclear deal with Iran (supported by the EU, China and Russia) in 2018 and the threat of secondary US sanctions against any company that does business with Iran have forcefully revealed the EU’s vulnerability. The efforts of EU member states to set up a special-purpose vehicle called INSTEX (Instrument in Support of Trade Exchanges) to help EU companies engage in business with Iran by facilitating non-dollar transactions and bypass US sanctions did not work.

Also in light of this experience, the Commission (2018a) has made proposals to strengthen the international role of the Euro, including the creation of a unified seat for the Euro area in the International Monetary Fund (IMF) and the promotion of the use of the Euro for transactions in the energy, aircraft and commodities sectors.

The US continues to hold a dominant position in the IMF and World Bank while China is still underrepresented and Europe overrepresented. China has strongly promoted the Asian Infrastructure Investment Bank and the New Development Bank as possible alternative venues. In late 2018 China and Russia have agreed on building a new bilateral payment system to boost the use of their national currencies and cut their reliance on the US dollar.

Pisani-Ferry and Wolff (2019: 9) argue that “[b]uilding economic sovereignty ... requires the EU to stop thinking and acting as a ‘fragmented power’” that ignores geopolitical considerations. In their view, the EU also needs to consider the promotion of a development bank and balance-of-payment assistance to third countries, for instance by giving an external role to the European Investment Bank or the European Bank for Reconstruction and Development and the European Stability Mechanism.

The proposals to strengthen the EU’s economic sovereignty are currently awaiting implementation. A similar situation can be observed in the field of security and defence policy.

### Security: towards strategic autonomy?

The EU Global Strategy for Foreign and Security Policy – in which the term geopolitics does not appear yet – started a process of closer cooperation in security and defence. “An appropriate level of ambition and strategic autonomy is important for Europe’s ability to foster peace and safeguard security within and beyond its borders” (EEAS, 2016, 9). This quest for more strategic autonomy, that is, the ability to make decisions in foreign, security and defence policy and have the means to carry these through, if need be also alone, has been reinforced by the uncertainty about the United States’ continued commitment to the transatlantic alliance amidst the repeated calls of US President Trump for more burden-sharing in the North Atlantic Treaty Organization (NATO).

Yet, there are different opinions on how to deal with this strategic transatlantic estrangement and work towards a European security and defence Union. As Leonard (2019) has aptly summarised, some member states led by France – the EU’s only nuclear power post-Brexit – want to reduce Europe’s dependence on the US and achieve strategic autonomy, while another group around Poland is keen to strengthen the transatlantic relationship (‘strategic servitude’); finally, Germany and others hope that after Trump’s term(s) in office a return to the *status quo ante* would ensue (‘strategic patience’).

In 2017 the European Defence Fund (EDF) was launched to promote defence-related research and the development of joint European military capabilities, and the Permanent Structured Cooperation (PESCO) among 25 member states was established. A year later, the European Commission (2018b) proposed to pass from unanimity to qualified majority voting under the Common Foreign and Security Policy in the case of human rights in multilateral fora, sanctions policy and civilian missions. In these debates, even those member states that do not fully support the concept of strategic autonomy argue that the EU should develop more defence capabilities. Important decisions are however still pending. The EU has also updated its cyber defence policy as a contribution to strategic autonomy. Many emerging technologies have dual uses, rendering digital issues even more important.

### Digital technology: towards standard-setting supremacy?

The global race to supremacy in new digital technologies, including next-generation mobile technology (5G), artificial intelligence and the Internet of Things raises questions of network security and vulnerability of critical infrastructures. The US, China and Europe compete with different approaches to capture market shares and set international standards.

In the 5G race, for example, the US pursues mainly industry-driven standards and investments, whereas China runs a government-coordinated programme with high levels of public investment. The European Commission has taken a ‘middle-road’ approach with the choice of a public-private partnership (see Gu *et al.*, 2019). As an importer of some strategically important resources and technologies Europe is caught in the ‘tech Cold War’ between Washington and Beijing. The recent EU guidelines recommend member states to diversify and restrict or exclude high-risk 5G vendors (like Huawei) from core parts of their telecommunications networks (European Commission, 2020b).

All three powers also seek to play an important role in the standard-setting process. Although the EU might have a less developed tech sector, it attempts to become a global rule-maker, particularly with regard to privacy and ethics in artificial intelligence. The ‘Brussels effect’ captures the EU’s power to regulate global markets, for instance with the General Data Protection Regulation (GDPR), chemical or food standards. Bradford (2020) argues that a single regulatory jurisdiction is able to supply global standards if it has a large domestic market, sufficient regulatory capacity, the political will to set stringent rules to protect consumers, and if corporations voluntarily opt to extend the rules of the most stringent regulator to their global operations. While the EU’s GDPR is based on the premises that the individuals own their personal data, the US approach again relies more on private companies and China on the state. There are thus three distinct data realms emerging with different approaches to govern cross-border data flows.

A high level of economic, cultural and political attractiveness (including value-based standards such as environmental, public health or labour standards and human rights) – or soft power – can thus be a main asset for the EU’s quest for geopolitical capacity. By contrast, the ‘sharp power’ of authoritarian states like China or Russia that perforates the political environments in the targeted countries through the use of censorship, disinformation and manipulation is not part of the EU’s diplomatic toolbox.

### Values: towards regional and global leadership?

The EU perceives itself as a community of values. These values are those of liberal democracies and a strong support for a multilateral rules-based order. Human rights conditionality is part of EU external action ranging from the European Neighbourhood Policy to trade and development policy.

On the global level, the EU engages in international cooperation for the protection of public goods (such as peace, climate stability, a rules-based trade system, financial stability, or public health). Whereas the US has in recent years adopted more unilateralist policies, China still has to fully live up to its global responsibilities and related domestic reforms. For the EU, there is often scope to cooperate with both sides. For example, in January 2020, the EU, Japan and the US agreed on how to modernise the rules of the World Trade Organisation (WTO) on industrial subsidies and pressed advanced members (like China) to renounce their developing country status. At the same time, the EU and a group of 16 WTO members, including China, established an *ad hoc* appeal body to overcome the US blockage of the dispute settlement system.

The US and China are the world's largest greenhouse gas emitters, and together with the EU responsible for more than half of the global emissions. Whereas US policy has turned towards climate scepticism, China has gone the opposite way, moving closer to the EU position. Following President Trump's decision to withdraw the US from the 2015 Paris Agreement, the EU and China have emerged as the potential leaders in this field. Both seem to embrace climate policy not only as an economic burden but also as an opportunity, investing in green technology as a growth strategy. The European Green Deal announced by the new European Commission (2019, 2) "aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050". This new prestige project still lacks a clear external dimension (e.g. via EU development cooperation) even though "[t]he ecological transition will reshape geopolitics" (ibid., 21).

China's prestige project is its Belt and Road Initiative (BRI). The BRI is not only an infrastructure development and investment tool, but a core foreign policy with geopolitical underpinnings. Financing and constructing, and sometimes even owning or operating, physical and digital infrastructure abroad helps gaining control over goods, services and data and spreading Chinese technical standards. In this context, however, China's '17+1 format' initiative, which promotes the BRI in Central and South-Eastern Europe, risks hampering EU foreign policy by partly muting European opposition, for example over its human rights record or its policy in the South China Sea. The EU's response, the EU-Asia connectivity strategy, which puts great emphasis on sustainability, has so far largely remained a paper tiger.

The French veto in October 2019 on the start of accession talks with Albania and North Macedonia was therefore

widely seen as a failure of geostrategic thinking, permitting Chinese and Russian influence in the region. In February 2020, the European Commission (2020a, 1) underlined that full EU membership of the Western Balkans was "a geostrategic investment in a stable, strong and united Europe ... at times of heightened geopolitical competition". A more strategic partnership with Africa has become increasingly necessary as well.

### **Conclusion: geopolitics the European way**

Learning the language of power means learning how to use economic tools, data streams, technologies, etc. for strategic ends (Borrell, 2020). First, a geopolitical Commission that can translate the EU's (economic and soft) power into strategic leverage would require a more integrated approach both in terms of horizontal coherence across policies and vertical coherence between the EU level and the member states. Such an integrated approach is easier to achieve for states than for the European Union with its panoply of legal competences.

Second, a geopolitical Commission that is more hard-nosed in pursuing EU interests should not do so at the expense of promoting EU values by, for instance, redirecting aid funds from small, poor countries to geopolitically more important ones, or subordinating trade policy to a broader agenda that would disregard the very principle of multilateralism.

Third, a geopolitical Commission would need to be complemented by a geopolitical European External Action Service (EEAS) and a geopolitical (European) Council. All institutions would need to adopt a more strategic mindset and break down policy silos. The Commission, for example, would need to give the EEAS a bigger role in a more strategic 'partnership of equals' with Africa, and it would need to add external dimensions to key initiatives such as the European Green Deal.

Fourth, such a more geopolitical EU would have to decrease its vulnerability to external pressure and reinforce its resilience and ability to defend own interests and values. In other words, it has to take steps towards more strategic autonomy and economic sovereignty such as those outlined above.

Fourth, a more geopolitical EU should not only address geopolitical competition but also develop new positive-sum 'geopolitical cooperation' beyond its traditional transatlantic or Western partnerships.

To conclude, a geopolitical EU will have to find its very own geopolitical strategy. As Ursula von der Leyen (2019) said in her candidacy speech to the European Parliament: 'We have to do it the European way.'





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