

## Europe after the Iraq War

Deep rifts between the United States and the Islamic world, between the USA and many of its traditional European allies and partners, and within the European Union (including its future members) are among the many “collateral damages” which the Iraq war has caused. Bridging and, in the end, closing these rifts will require a more enlightened leadership on both sides of the Atlantic and in the Arab world than we have seen in the past months. Such leadership is indispensable for the world to prosper and the world economy to recover and grow. What are possible European elements of such a leadership and what could be the EU’s role? What lessons are to be drawn from the crisis?

As far as European foreign policy is concerned, the Common Foreign and Security Policy (CFSP), the Second Pillar of the Union, has (again) failed badly. When the UK, at an early stage of the Iraq conflict, unilaterally decided to give unrestricted support to the US plans for a military intervention in Iraq whereas German Chancellor Gerhard Schröder publicly voiced his absolute rejection of any use of military force against Saddam Hussein, there was no chance left to agree on a common European position. The “Letter of the Eight” did nothing to bridge the gap, nor did the reactions to this letter in France and Germany. And the recent initiative for a joint French/German/Belgian security policy only underlines the split. For all those who took the Union’s commitment to the CFSP seriously this is a great shock. Yet, one should be realistic: in a Union of fifteen – and soon twenty-five – nation-states there is always a strong temptation “to go it alone”, for domestic or foreign-policy reasons. While the Union is committed in principle to speak with one voice, it was never decided whose voice this should be, nor did the Union agree on an agenda-setting mandate for the Commission nor on majority voting in this sensitive field. In fact, the often hailed “Second Pillar” was never able to serve as a strong building-block of the Community. Rarely did the Union go beyond non-committal policy resolutions, e.g. on the Middle East, Iran or North Korea. Therefore, it would be an illusion to expect that a common position on vital issues would generally be possible if only there were “good will”. What can and must be reasonably expected is, however, that member countries make at least a serious attempt to arrive at a joint policy stance. The CFSP therefore needs binding consultation rules of the type: “Thou shalt not publicly commit thyself before thou hast tried in good faith to achieve a consensus with thy partners.”

A joint EU approach will be particularly important for policy towards Iraq (and the USA) in the post-war period. It is evident that the Bush administration is trying to create accomplished facts. It has announced that the USA will establish a military administration in Iraq, it is considering replacing the Iraq dinar by the US dollar, it lays claim to the Iraq oil industry as well as to Iraq’s financial assets, and it has started first rounds of bidding among selected US corporations for major infrastructure and petroleum reconstruction works. Against this strategic approach to reaping the economic benefits of reconstruction, the EU appears strangely undetermined. The UK hopes that its firms will also participate, if only as subcontractors, in the US procurement. Germany, like others, has announced its preparedness to fund humanitarian relief measures (without economic return) but so far has not claimed a say in the political and economic reconstruction process. Nor has the Union at large: the Conclusions of the Presidency of the European Council in Brussels are conspicuously vague on Iraq and will certainly impress neither the USA nor the nations in the Middle East. Yet it is obvious that the peoples of the region do not wish a “Pax Ameri-

cana”, and the EU could certainly play a constructive role in the future peace-building process. Designing an EU economic and political strategy to this end, with the EU’s Mediterranean Policy as a starting-point, should be given the highest priority.

A major precondition for more European self-confidence in the domain of foreign policy is the restoration of credibility in the traditional domain of the EU, i.e. in economic management. This credibility has suffered, too, from national solo runs in violation of self-imposed rules. Solo runs are not *per se* bad. They are appropriate when the subsidiarity principle designates the nation state or a sub-region as the relevant problem-solving level and when the external effects are small. In the EU, a uniform strategy for growth and employment or for the long-term stabilisation of the social security systems is certainly not superior, but inferior to a decentralised approach where different methods can be tested in a process of mutual learning. In fact, various (smaller) countries have been highly successful in economic reform. Yet, going it alone is sub-optimal or even damaging for the Union where there are large external effects on other member states, where members seek to carry through common strategic interests vis-à-vis non-members or where the very credibility of the EU is at stake. This has led the EU, for example, to agree on fiscal rules under the Stability and Growth Pact (SGP) and to entrust the Union with full competence for foreign trade policy.

What can be observed, however, is that major member countries are tacitly or openly bending the self-imposed fiscal rules. As the European Commission observed, eight of the twelve countries of Euroland fulfilled the requirements of the SGP and achieved structurally balanced budgets in 2001. Four member countries – Germany, France, Italy and Portugal – have repeatedly postponed the target date for fulfilling this obligation, thereby turning that date into a “moving target”. In doing so they have damaged the Pact’s credibility and dented public support. This credibility, which is vital for the Union’s overall credit and for the cohesion of member countries, will certainly not be restored by a “creative reinterpretation” of the rules: for the critical countries, the Iraq war is certainly an “unusual event outside the control of the Member State” but it does not have “a major impact on the financial position of the general government” which might justify a waiver of the obligations. Confidence could only be restored if temporary waivers were coupled with bold and credible programmes for economic (and fiscal) reform.

Strict observance of the rules of the game is also called for in other areas: agricultural fines must duly be paid, transfer payments must be discontinued when the jointly agreed criteria are no longer met (save, perhaps, for short and definite transition periods), and environmental norms must be respected. This is a major clue to confidence-building and, in the end, to successful joint action in EU-25. Another clue is the revitalisation of the European economy, a task which hinges critically on structural reform in Germany, the largest and at the same time the slowest growing national economy over the past decade. Joint action will particularly be needed in relation to the USA. “Divide et impera” – in the preparation of the Iraq war this millenniums old maxim of “Old Europe” has been successfully employed by President Bush against the rest of the world in general and the European Union in particular. He must not be given the opportunity to succeed again. Against unilateral US power politics the European Union is called upon to defend its own interests as a community, but also the multilateral rules-based system from the UN to the WTO and the IMF which has served the world well in the past decades.

At the same time, the EU is called upon to play an active role in the restoration of Atlantic political and economic partnership. Deepening the split will be neither in the US nor in the European interest. A self-confident and united Europe should take the lead in gradually overcoming the rift.

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