EU'S INTERNAL ECONOMIC AND POLITICAL PROBLEMS: THE IMPACT ON ITS GLOBAL ROLE

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Abstract. *Given the distinguished nature of the EU as a polity compared with nation states, political integration in the area of common foreign policy is vital for the EU to play an effective global role and elevate its standing as a global actor. Since economic strength is EU's main instrument to perform its global function, its internal economic condition determines the pattern and extent of effectiveness of its foreign policy and global purpose. Likewise, the existence or lack of political coordination and collaboration between the EU and its member states and within the EU defines the degree of coherence in EU common foreign policy and strength of its global task. While the EU has adopted new arrangements under the Lisbon Treaty to enhance political integration in the area of common foreign policy and play global capacity effectively, its internal economic and political problems have negatively impacted the realization of these objectives. This article depicts the internal economic and political problems which the EU has faced in the recent years. Then, it examines the impact of these problems on EU's common foreign policy and its global role.*

Keywords: *European Union, debt crisis, UK, coherence, impact, EU common foreign policy, EU global role.*

The EU has adopted the Lisbon Treaty in December 2009 to increase coherence in its foreign policy and pursue an effective global role. Simultaneously, the EU has faced internal economic and political challenges, which have left an adverse impact on not only the objectives sought under the Lisbon Treaty but also its global role and relations with third countries. While the EU has attempted to improve coherence in its common foreign policy since 2009, its Euro zone has suffered from a severe debt crisis, which has imparted its contagion effects to all EU member states, resulting in an economic recession in the EU. Given the vital importance of EU's economic power for its foreign policy, the debt crisis and economic difficulties have resulted in the weakening of EU's global position.

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Pol. Sc. Int. Rel., **X**, *2*, p. 37–48, Bucharest, 2013.

Although the Euro zone is expected to come out of economic recession in the second half of 2013, the economic recovery will take years as the crisis-hit countries have to deal with fiscal deficits and improve competitiveness. This implies that EU's economic problems will keep on impacting its global role in coming years as well. UK's relations with the EU remain uncertain following British Prime Minister's announcement in January 2013 for redefining its country's relationship with the latter. Given the significance of UK's place in the EU, its drift away from the EU has impacted the latter's global role and, depending on the future developments, may have deep implications for EU's integration process, common foreign policy and global task. Apart from such economic and political problems, lack of coherence between member states and the EU as well as inter-institutional and intra-institutional coherence problem constitutes an inherent challenge for EU's foreign policy and global function.

EU's Internal Economic and Political Problems Euro-zone Debt Crisis

Euro, the common currency for EU member states, was established in the 1992 Maastricht Treaty on European Union (TEU) and launched on 1 January 1999. With the joining of Estonia in 2011, the number of EU member states sharing Euro as the single currency reached 17. Since 2009, Euro zone's PIIGS-Portugal, Ireland, Italy, Greece, and Spain — have suffered from a severe sovereign debt crisis, one of the worst economic crises in history.

While all the five Euro zone countries have a common causal factor behind their debt crises, each has reached the moment of crisis on account of different factors. Ireland's problems have emerged from excess debt, whereas the problems of Spain and Portugal have originated from the lack of competitiveness. The problems of Greece and, to a large extent, Italy have come from both excess debt and the lack of competiveness.[1]

However, the major common factor behind the Euro zone debt crisis was excessive borrowing and the failure in generating sufficient economic growth. After entering the Eurozone, some countries indulged in too much borrowing from region's European banks, which was available to both governments and private sector at low interest rates. But they used much of this money for consumption and construction rather than increasing economic growth. The EU rules required each Eurozone state to keep its annual budget deficit to a maximum of 3% of GDP and public debt to a maximum of 60% of GDP.[2] However, the lack of an effective enforcement mechanism let the states cross these limits. As the exports of these states became costlier and imports comparatively cheaper as a result of increase in manufacturing costs stimulated by overmuch domestic spending, they

[1] John Nugee, "The Financial, Economic and Political Consequences of the European Debt Crisis", *State Street*, 28 November 2011, p. 3.

[2] European Commission, "Economic and Financial Affairs", http://ec.europa.eu/economy_finance/economic_governance/sgp/corrective_arm/index_en.htm.

suffered from huge current-account deficits. Given the interconnectedness of the global financial system, the 2007 US financial crisis led to liquidity problems of the European banks. This banking or financial crisis led to a fiscal crisis as the economic growth, dependent on credit availability, faltered and governments had to support their banks, increasing demand for more debts but diminishing capacity to repay the debts. A situation of uncertainty started to prevail in the market by late 2009 when Greece revealed shocking data on its budget deficit and sovereign debt burden. Greece's budget deficit stood at 12.7% of GDP, which the EU later revised up to 13.6% of GDP, while its sovereign debt reached €300 billion, accounting for 113% of GDP, the highest in modern history.[3] These led to investor's loss of confidence in Greek financial market and hence demand for higher yields on Greece's bonds, which left the country with no option other than higher borrowing and thus pushed it in the situation of severe debt crisis. Under the 'contagion' effect, the anticipation of similar situation, fuelled by poor credit ratings and media speculations, led to an increasing demand for high-yielding bonds in other heavily indebted countries, pushing them into debt crises of varying degrees.

In response to Euro zone's debt crisis, the EU and IMF have undertaken a number of measures. Greece has been provided with a bailout package worth €110 billion in May 2010, while a second Greek bailout of €130 billion has been approved in March 2012.[4] Ireland has received a bailout package of €85 billion in November 2010, while Portugal has got a bailout of €78 billion in May 2011.[5] Eurozone countries created temporary bailout funds, which have been replaced by a permanent body called European Stability Mechanism (ESM), to provide emergency loans to crisis-hit countries. The European Central Bank (ECB) has purchased government bonds to stabilize yields and provide cash to the government as well as provided credit to the zone's ailed banks at very low interest rate. Since January 2013, the EU has enforced a strict fiscal pact, which makes harder for EU member states to violate the budget deficit guidelines. In return and as the only option, the crisis-hit countries have undertaken stringent austerity measures at home, adopting massive cuts in expenditures and big increases in taxes. In view of the tough national budgets, the EU has adopted a first-ever reduced seven-year budget for 2014-2020, of which total outlay of €960 billion represents a 3.3% cut on the preceding 2007-2013 budget.[6]

The Euro zone's debt crisis has deeply impacted the crisis-hit countries, while it has left varying 'contagion' effects in other EU member states. The imposition of austerity measures has led to public protests in various EU countries and change of governments in some countries. Countries usually address the debt-crisis situation by undertaking austerity measures aimed at reducing expenditures as well as devaluing the exchange rate aimed at spurring exports and economic activity. Euro zone's crisis-affected countries do not have the option of devaluation as the

[3] BBC News, "Timeline: The unfolding Eurozone crisis", 13 June 2012.
[4] *Ibid.*
[5] *Ibid.*
[6] BBC News, "Q&A: EU budget battle", 8 February 2013.

Euro is controlled by the EU. This has reduced their capacity for regenerating economic activity and regaining competitiveness. Given the interwoven nature of the economies of EU countries, reduction in demand in some countries has affected others as well. This has resulted in the contraction of economic growth and higher unemployment in EU's weaker countries. While Euro zone's economy has experienced a highly volatile performance since 2009, it has remained in recession from last quarter of 2011 until at least mid-2013. If economy contracts for two consecutive quarters, it is said in the state of recession. While the Euro zone's economy has contracted by 0.6% in the last quarter of 2012, the sharpest contraction since 2009, it has contracted by 0.5% in the whole calendar year 2012.[7] Although the contraction of Euro zone's two largest economies, Germany and France, is disappointing, crisis-hit countries, including Italy and Spain, are facing much worse economic conditions. The overall unemployment rate in the Euro zone has reached 12% by February 2013, with Greece and Spain having over 26%, followed by 17.5% in Portugal, 11.6% in Italy and 10.8% in France.[8] The youth aged below 25 have suffered the most from economic recession in the Euro region. About a quarter of the workforce in this age group is jobless in the whole Euro zone, while it is 58.4% in Greece, 55.7% in Spain, 38.2% in Portugal and 37.8% in Italy.[9]

UK's Relationship with the EU

In UK, the Conservative Party has held a long-standing demand for the country's exit from the EU. In the wake of Euro zone's debt crisis and the subsequent economic recession, the Conservatives have increasingly demanded UK's exit from the EU or at least renegotiations for establishing a loose relationship with the EU. Over the years, public support for UK's membership of the EU has also declined. In 2012, according to a survey conducted by the Pew Research Center, 56% of people have supported UK's exit, while 45% have not favored it.[10] This has compelled David Cameron, the Prime Minister and leader of the Conservative Party, to reveal his designs with regard to defining UK's future relationship with the EU. The Prime Minister has stated that he would renegotiate UK's relationship with the EU and then hold in/out referendum by late 2017 at the latest, if his party wins the next general election due in 2015.[11] While the eurosceptics have welcomed this new policy, Labour party, embracing pro-EU stance, has strongly criticized it arguing that the move is risky for UK's economy and influence in world affairs. While cherishing that the UK should remain an 'active and constructive' member of the EU, Germany and France have said that

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[7] Philip Blenkinsop, and Annika Breidthardt, "Euro zone economy falls deeper than expected into recession", *Reuters*, 14 February 2013.

[8] Eurostat, "Euro area unemployment rate at 12.0%", news release, 50/2013, 2 April 2013.

[9] *Ibid.*

[10] Irfan Husain, "Britain decides its place in Europe", *Dawn*, Opinion, 4 February 2013.

[11] BBC News, "David Cameron promises in/out referendum on EU", 23 January 2013.

it could not define its EU membership on a 'cherry-picking' basis. Meanwhile, Washington has told the UK that the US-UK 'special relationship' is best served when the latter remains within the EU as an active member.

The new policy initiative made public by Mr. Cameron reflects his government's lack of confidence in the European system. Historically, the UK has been opposed to deeper integration in the EU and sought a special treatment. In 1984, Margaret Thatcher, former British Prime Minister, was able to get a rebate on UK's financial contributions to the EU budget. While other EU member states support certain reforms, especially economic, in the EU, they do not stand by the demand for fundamental changes in the EU system. The UK government has not yet put forward what it wants to renegotiate with the EU, however, some of its potential demands are already known. First, UK's concerns over its EU membership in the present form are linked with the issue of immigration from other EU member countries. A number of pull factors make UK an ideal destination for European immigrants: higher wages, generous social welfare system, medical facilities, and advantages of the UK education. The country is particularly the best choice for immigrants from comparatively poorer Central and Eastern European countries. Poland's membership of the EU in 2004 resulted in an influx of Polish immigrants in the UK. Since joining the EU in 2007, Romania and Bulgaria have been subject to a time-bound treaty that has restricted the right of free movement of their citizens in the UK. However, with the removal of this temporary ban with effect from 1 January 2014, an inflow of up to 250,000 Romanian and Bulgarian immigrants to the UK is expected in the next five years.[12] This assessment is based on the analysis that workers from two countries can earn nine times more than in their own countries, have economic incentives in the UK two times more than those for Polish workers, and find UK the best choice in view of Euro zone's economic problems.[13] It is to be noted that the Conservative government has undertaken tough new rules to cut down migration from outside the EU.

Second, the UK recognizes the potential benefits of membership of the European single market, which accounts for half of its exports. But it does not like EU's cumbersome regulations in various economic areas such as business, public finance, trade and investment. The UK regards many of EU regulations such as relating to workers' rights, environmental protection, Common Agricultural Policy (CAP), Common Fisheries Policy (CFP), and public finance discipline as detrimental to its economic growth. In January 2012, the UK along with the Czech Republic has vetoed a fiscal treaty adopted to enforce budget discipline in the Euro zone states, forcing the latter to undertake the treaty under a separate arrangement outside the EU's formal structure. Third, the UK, Germany, France and Italy are the largest net contributors to the EU budget, while poorer member countries from Central and Eastern Europe are the net beneficiaries. The UK gets

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12 Wesley Johnson, "Bulgarian and Romanian workers 'nine times better off in UK'", *The Telegraph*, 19 February 2013.

13 *Ibid.*

small share from EU funding for agriculture and poor regions as it has comparatively a much smaller agricultural sector and development funding has been diverted to poor member countries thanks to enlargement. Consequently, it contributes much more than it gets back in the shape of both funds and rebates. That is why, it has insisted to cut down the size of EU's seven-year budget for 2014-2020. The UK is also wary of the big size of budget share that meets salaries and benefits for EU's 55,000 civil servants.

Last, the UK has reservations with regard to jurisdiction of the European Court of Justice (ECJ). The ECJ is empowered to settle legal disputes involving EU governments, institutions and individuals. Companies and organizations can bring cases before the ECJ if they feel aggrieved by the actions of EU governments or institutions. Cases that have been settled in the country courts can be challenged before the ECJ. The instances of cases filed or settled in accordance with such rules have caused annoyance to the British government. Furthermore, EU's moves towards full political union are also a cause of worry for the UK as it feels this will result in subsumption of the UK in a region at the cost of its distinctive political and cultural identity. Although there are many 'ifs' and 'buts' that will determine the final shape and degree of UK's relations with the EU, its present moves are prone to an overturn in its relations with the latter.

Issue of Coherence in EU's External Relations

A much debated issue that constrains an effective EU's global is the lack of coherence in the European foreign policy, which the EU has long attempted to address. Coherence refers to 'the absence of contradictions between different policies' as well as 'the creation of synergies between different policies'.[14] The problem of coherence in EU's external policies lies primarily in its distinctive character as a polity. It has complex segmented institutional structures, which are neither comparable to those of states nor to those of purely intergovernmental organizations. A federal state ensures coherence in its foreign policy through hierarchical decision-making structure, in which foreign office bureaucracy and foreign minister work under a single authority, namely the executive. On the other hand, an intergovernmental organization seeks coherence in its internal as well as external affairs through coordination among its member states. As the EU does not have a single executive authority and it needs much more than just coordination, it employs deep institutional structures to address the issues of both vertical and horizontal coherence in its external policies. While horizontal incoherence in EU's external policies results from the lack of collaboration between EU's institutions, vertical incoherence comes from the lack of coordination between EU's external policy and foreign policies of its member states.

[14] Anne-Claire Marangoni, "The Coherence of EU's External Policies after Lisbon", *EU External Affairs Review*, July 2012, p. 4.

The EU has gradually been improving the mechanisms aimed to reduce differences between the EU level and the member states as well as between supranational and intergovernmental institutions within the EU with the purpose of maximizing coherence in its external relations. Within its three pillar-structures, the 1993 Treaty on the European Union (TEU) divided external relations competences between first and second pillars. While the first, the Community pillar, dealt with EU's external policy in the areas of trade, aid and development, the second, intergovernmental pillar, handled its Common Foreign and Security Policy (CFSP). Although a watertight division of powers between supranational and intergovernmental institutions was never envisioned, the Commission wielded more powers under the first pillar and the Council enjoyed a much stronger position under the second pillar. The TEU codified the principle of coherence in EU's external relations and held the Commission and the Council responsible for ensuring horizontal and vertical coherence and cooperating to this end.[15] However, the problem of coherence in EU's external relations continued because of a number of reasons. First, given the fact that political, security and economic matters are inseparable in the conduct of external relations, the separation of EU's external economic policies and CFSP between two pillars was inherently prone to incoherence in its external relations. Second, despite that institutions had cross-pillar powers, the concentration of more powers in one institution for handling a specific external policy area meant that EU's different external policies were formulated by different actors. Those actors lacked uniformity in terms of policy interests and objectives, decision-making procedures, nature of competences and approaches to a specific issue. Third, the Commission and the Council, entrusted to ensure coherence, came into conflict with respect to areas where their competences overlapped. Last, the massive challenge was, and remains even today, to ensure vertical coherence as individual member states pursued foreign policy goals that clashed with EU's external relations.

Since the enforcement of the Maastricht Treaty, the EU has struggled to improve coherence mechanisms, which, nevertheless, have proved insufficient to address the problem. The most significant breakthrough in building more effective coherence mechanisms has come with the approval of the Lisbon Treaty in December 2009. The Treaty has eliminated the three-pillar structure, conferred legal personality on the EU and, above all, brought forth three institutional innovations. Three major institutional innovations designed to improve coherence are the High Representative of the Union for Foreign Affairs and Security Policy (FASP), the President of the European Council, and the European External Action Service (EEAS). The new HR, like the previous one, is primarily responsible for conducting EU's foreign and security policy. However, the HR for FASP enjoys a special mandate to enhance collaboration within and between the Commission and the Council and hence ensure coherence in EU's external relations. Within the Commission, the new HR holds the portfolio of the Vice-President for External

[15] Clara Portela, and Kolja Raube, "The EU Polity and Foreign Policy Coherence", *Journal of Cotemporary European Research*, vol. 8, no. 1, 2012, p. 5.

Relations and has a duty of coordinating functions of the Commissioners. Within the Council, the new HR chairs the Foreign Affairs Council (FAC), which determines EU's external action in the light of strategic guidelines given by the European Council and ensures consistency in EU's action. It also has the right to initiate CFSP-related proposals in the Council and convene an extraordinary meeting of the Council. Thus, the concentration of powers of the former 'troika' (Presidency's former minister, HR for CFSP and Commissioner for External Relation) in the position of new HR is a major step towards ensuring coherence in EU's external relations. Likewise, the President of the European Council plays a key role in realizing both horizontal and vertical coherence as he has the mandate to identify EU's strategic interests and objectives vis-à-vis all aspects of external policies and streamline the positions of member states on such interests and objectives. Finally, another major step in this direction is the creation of the EEAS, which works under the authority of the HR with its own secretariat and assists the HR as well as the President of the European Council and the Commission in the areas of external relations.

Despite the creation of new institutions and accompanying coherence mechanisms, incoherence still remains a problem in EU's external relations, although it is likely to diminish with improvement in the functioning of new coherence mechanisms. Although the Lisbon Treaty has eliminated the pillar structure, competences of different actors and institutions in decision-making vary from one external policy area to another. While new HR equipped with the EEAS has got an effective role in EU's external policy matters, competences for formulating external policies are divided along four institutions, namely the EEAS, the Commission, the Council and the member states. While the power over external action with regard to trade, aid, development and climate change are largely held by the Commission, powers over the CFSP are concentrated in the intergovernmental institutions. Moreover, the HR, the President of the European Council and the President of the Commission have overlapping powers in formulating and implementing different aspects of EU's external action. This leaves possibilities for conflicts between these positions. Finally, it is EU's member states that pose the biggest challenge to coherence in its external relations. Since a consensus among EU's 27 member states is required to undertake an external action, EU's external policy represents 'the lowest common denominator'.

The Impact on EU's Global Role

Despite structural weaknesses in its foreign policy and lack of convergence among member states over some important international issues, the EU has significantly succeeded in developing a common foreign policy framework and assuming more global role since the beginning of last decade. However, its recent internal economic and political problems have negatively impacted its global role and may carry implications for its global role and standing in future. EU's internal problems have slowed down the process of strengthening common foreign policy as the EU has focused more on debt crisis management than foreign policy coordination. Different views held by EU member states regarding solution of the debt crisis have surfaced the differences in perceptions and national interests of member states vis-à-vis key issues, undermining the basis of EU common foreign policy. In response to internal challenges, the EU has adopted a conservative approach to foreign policy, giving preference to economic objectives over broader political and security objective. EU's internal issues have also slowed down the implementation of the Common Security and Defense Policy (CSDP) and curtailed the strategic orientation of EU's global role. EU's current internal problems may have implications for EU's global role as they have intensified differences among member states and this does not bode well for achieving foreign policy coordination. In sum, EU's internal economic and political problems have impacted its global role by lessening focus on foreign relations, increasing focus on geo-economics and curtailing strategic orientation of foreign policy.

First, since 2009, management of Euro zone's debt crisis has prevailed EU's political agenda, while little time has been devoted to foreign policy issues. Therefore, few diplomatic initiatives and external actions have been undertaken. New office-bearers, President of the European Council and High Representative, have not been able to take advantage of the scope of their powers in the realm of EU's foreign policy. As the EU has remained under the shadow of criticism over handling the debt crisis and rumours of disintegration, differences among EU member states over the ways of dealing with the crisis have widened. This has led the member states to pay more attention on their individual foreign policies in accordance with their national interests. Thus, despite the entry into force of the Lisbon Treaty, the desired coherence has not been achieved in EU foreign policy. For instance, France and Britain led the military action in Libya against the Qaddafi regime, while Germany chose to abstain from voting on the issue in the UN Security Council.[16] The UK has taken an aggressive stance against the right claimed by the EEAS officials to speak on behalf of the EU at meetings of the UN and other international organizations. At a UN conference on trade and development in Geneva, the UK representative stopped the EU presidency representative to speak for the EU.[17] In fact, the UK has become a frequent dissenting voice within the EU as indicated by its decision to stay out of the March 2012 fiscal pact, insistence on budget cut and announcement to renegotiate its terms of relationship with the EU.

Second, while the EU has undertaken various measures to address the Euro zone's debt crisis, some of these measures undermine its global role. Throughout the cold war, Europe has maintained inward-looking economies by protecting its markets with a mercantilist approach. However, since mid-1990s, the EU has increasingly opened its markets to third countries by granting them trade

[16] Xu Longdi & Sun Youjin, "The EU's Foreign Policy under Debt Crisis", *China Institute of International Studies*, 5 March 2013, www.ciis.org.cn/english/2013-03/05/content_5774751.htm (accessed 5 May 2013).

[17] Harriet Alexander, "Europe's new diplomatic service under fire", http://www.telegraph.co.uk/news/worldnews/europe/eu/8543629/Europes-new-diplomatic-service-under-fire.html (accessed 5 May 2013).

preferences. This has not only elevated EU's international standing but also provided it with a political leverage vis-à-vis third countries to play its global role more effectively. EU's economic problems have affected this role in two ways. One, Euro zone's debt crisis and the subsequent European economic recession have resulted in a reduction of demand for exports from third countries. A study conducted by the Asian Development Bank has concluded that EU's crisis will primarily impact developing Asia's trade, although it will affect its financial sector as well.[18] Asian exports to the EU have already fallen since the beginning of Euro zone's debt crisis in 2009. While before the crisis, the EU accounted for 16.5% of exports from Asia, this share has fallen to 12.4% after the crisis.[19] While the exports of third countries to the EU have decreased, their regional trade has significantly increased. Second, the economic problems have driven the EU to undertake policies that aim more to achieve economic objectives than security and political objectives. Consequently, it has taken an inward-looking approach to protect its markets by adopting self-protection regulations, increasing export subsidies and undertaking invisible protectionist practices. The EU has reduced the number of countries which benefit from trade preferences under its new GSP scheme from 176 to 89.[20] At the same time, the European leaders, during elections campaigns, have motivated the public to 'Buy European Goods'. In its dialogue with strategic partners, it has kept emphasis on reciprocal trade benefits as the major strategic interest. While the EU has signed the Free Trade Agreement (FTA) with South Korea, negotiations with India, Japan and Mexico are under way. This shows that the economic difficulties have made the EU inclined more to geo-economics than geo-politics. This, in turn, has undermined its capacity to play an effective global role.

Third, the economic difficulties have led the EU member countries to cut their defense budgets, resulting in reduction in their contributions for the implementation of the Common Security and Defense Policy (CSDP). Moreover, the member states have decided the sizes of their defense budgets on their own, rather than coordinating within the European Defense Agency (EDA). This has negatively affected the process of European military integration. During 2003-2008, the EU undertook 20 crisis management missions in different parts of the world; however, afterwards, it did not initiate any new mission except providing training to Somali security forces in 2010 on a small scale. The proposed plan for European Union Force (EUFOR) Libya was abandoned because of opposition from and differences among member states. The argument based on austerity measures introduced by EU member states in the midst of debt crisis has led to a first ever cut down in the EU budget, from 1.12% of GNI for 2007-2013 to 1% for 2014-2020. This downsizing of the budget has also affected the budget share for EU's

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[18] Minsoo Lee and others, "Economic Impact of Eurozone Sovereign Debt Crisis on Developing Asia", working paper, no. 336, *Asian Development Bank*, January 2013.

[19] *Ibid*., p. 4.

[20] European Commission, "The EU's new Generalized Scheme of Preferences (GSP)", p. 4, http://trade.ec.europa.eu/doclib/docs/2012/december/tradoc_150164.pdf (accessed 6 May 2013).

external affairs and foreign aid. The amount of the EU budget 2014-2020 that has been devoted to foreign aid is almost equal to that kept in the previous budget 2007-2013, and is much smaller than what the Commission originally proposed. This means that the target set by EU leaders to give 0.7% of national income in aid by 2015 in pursuit of the Millennium Development Goals (MDGs) in third countries will not be met.[21] In other words, EU's average annual development and humanitarian aid for third countries and its special development fund for sub-Saharan Arica remains unchanged in the period 2007-2020. This does not augur well for EU's international standing and actorness.

Last, despite the adoption of new arrangements under the Lisbon Treaty, aimed at enhancing coherence in EU common foreign policy, EU's objective of speaking with one voice remains unfulfilled. Political differences among EU member states within the EU and competition among EU's foreign policy establishments impede the much-needed coherence and coordination in its foreign policy, adversely affecting its global role. The issue of vertical coherence, that is, between the EU and member states, still remains a big hindrance to EU's global role and its global actorness. Following the Lisbon Treaty, member states have been reluctant to transfer their sovereign rights to the EU in accordance with the new arrangements. Hence, the intergovernmentalism still remains dominant in EU foreign policy formulation. The creation of the EEAS, the executive arm of EU foreign policy, has not solved the issue of horizontal coherence in EU foreign policy. Along with collaboration, a competition exists between the EEAS and the Commission. The Commission still holds control over EU foreign policy areas with regard to trade, humanitarian assistance, environmental protection, energy issues and anti-terrorism.[22] Another serious challenge to EU's global role comes from differences among its "big three" — Germany, France and the UK. Previously, there have been differences of temporary nature among the big three such as over Iraq war and more recently over war in Libya. However, in the midst of the debt crisis, the UK has tended to drift away from the EU, assuming uncompromising positions on various issues and finally announcing its intent to renegotiate the terms of relationship with the EU. This has serious implications for EU's common foreign policy and its global role.

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[22] Longdi, *op. cit*.

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