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The EU as a balancing power in transatlantic relations: structural incentives or deliberate plans?

by

Lorenzo Cladi

Doctoral Thesis
Submitted in partial fulfilment of the requirements for the award of
Doctor of Philosophy of Loughborough University

14 September 2010
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ABSTRACT

The purpose of this thesis is to provide a critical evaluation of the neorealist theory of international relations and its soft balancing variant through the use of case studies referring to transatlantic relations in the post-Cold War era. Each case study indicates a specific category of power. These are:

- Military - the European attempt to create a common military arm from 1991 to 2003
- Diplomatic - the EU’s involvement in the Israeli-Palestinian conflict from 1991 to 2003
- Economic – the EU-USA steel dispute in 2002/03

In particular, the thesis undertakes to analyse whether the EU balanced the USA in the post-Cold War period either as a result of the altered structural distribution of capabilities within the international system (unipolarity) or of a set of deliberate plans to do so. After introducing the concepts of unipolarity, hard and soft balancing, the thesis outlines three comprehensive answers that neorealist scholars have generated as to whether the USA can or cannot be balanced in the post-Cold War international system, namely the structural, the soft balancing, and the alternative structural options. Then, drawing on a defensive realist perspective, this research goes on to consider the creation of the EU as a great power in the post-Cold War era. In light of this, the thesis aims to find out whether the rise of the EU as a great power has had an impact upon unipolarity either because of structural incentives or because of a predetermination to frustrate the aggressive policies of the unipolar state.
The thesis then proceeds to investigate whether throughout the case studies series the EU has balanced the USA. The case studies highlight that the EU, freed from the rigid bipolar stalemate it had been locked into during the Cold War, undertook to exert greater influence on the world stage in the post-Cold War period. To some extent the EU has accomplished this in all of the power dimensions analysed in this thesis. Nevertheless, the EU’s efforts to hold sway within the international system were not aimed at addressing the relative power imbalance created by unipolarity, and there were no deliberate plans harboured by the EU to frustrate the influence of any aggressive unipolar state. Overall, this thesis found the causal logic outlined by neorealism to be convincing to the extent that the EU emerged as a great power in the post-Cold War era and had greater freedom of action under unipolarity. However, with the partial exception of the economic dimension of power, there was no persuasive evidence uncovered to support the anticipated outcome of the neorealist theoretical slant, namely that great powers tend to balance each other. Moreover, while the soft balancing claim is considered to have promise as an attempt to understand how the EU can respond to US power under unipolarity, this study did not find sufficient evidence of the EU’s deliberate intentions of doing so.

**KEYWORDS:** transatlantic relations, neorealism, unipolarity, balancing, European security and defence policy, Israeli-Palestinian conflict, steel dispute
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This thesis is dedicated to my girlfriend Emma for...literally going through all this with me! Thank you my love.
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LIST OF ABBREVIATIONS

BP  British Petroleum
CIS  Commonwealth of Independent States
COREPER  Committee of Permanent Representatives
CFSP  Common Foreign and Security Policy
DG  Directorate General
DPG  Defence Planning Guidance
DSB  Dispute Settlement Body
EC  European Community
ECJ  European Court of Justice
ECSC  European Coal and Steel Community
EDA  European Defence Agency
EUMC  European Union Military Committee
EDC  European Defence Community
EEC  European Economic Community
ENP  European Neighbourhood Policy
EP  European Parliament
EPC  European Political Cooperation
ESDI  European Security and Defence Identity
ESDP  European Security and Defence Policy
EU  European Union
EUMC  European Union Military Committee
FDI  Foreign Direct Investment
FYROM  Former Yugoslav Republic of Macedonia
<table>
<thead>
<tr>
<th>Acronym</th>
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<tr>
<td>GAC</td>
<td>General Affairs Council</td>
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<tr>
<td>GDP</td>
<td>Gross domestic product</td>
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<tr>
<td>HR</td>
<td>High Representative</td>
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<tr>
<td>IDF</td>
<td>Israeli Defence Forces</td>
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<td>IEA</td>
<td>International Energy Agency</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>IR</td>
<td>International Relations</td>
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<tr>
<td>ITO</td>
<td>International Trade Organization</td>
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<tr>
<td>MEP</td>
<td>Member of European Parliament</td>
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<tr>
<td>MP</td>
<td>Member of Parliament</td>
</tr>
<tr>
<td>MS</td>
<td>Military Staff</td>
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<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<tr>
<td>NSS</td>
<td>National Security Strategy</td>
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<tr>
<td>OECD</td>
<td>Organization for economic cooperation and development</td>
</tr>
<tr>
<td>PA</td>
<td>Palestinian Authority</td>
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<tr>
<td>PSC</td>
<td>Political and Security Committee</td>
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<td>QDR</td>
<td>Quadrennial Defence Review</td>
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<tr>
<td>SIPRI</td>
<td>Stockholm International Peace and Research Institute</td>
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<td>SHAPE</td>
<td>Supreme Headquarters Allied Powers Europe</td>
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<td>UK</td>
<td>United Kingdom</td>
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<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNSC</td>
<td>United Nations Security Council</td>
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<tr>
<td>USITC</td>
<td>US International Trade Commission</td>
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<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>USA</td>
<td>United States of America</td>
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<tr>
<td>USSR</td>
<td>Union of Soviet Socialist Republics</td>
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<td>WEU</td>
<td>Western European Union</td>
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<tr>
<td>WSA</td>
<td>World Steel Association</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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<td>WWII</td>
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1.1 AIMS AND OBJECTIVES OF THE THESIS

The aim of this thesis is to evaluate the neorealist theory of IR and its soft balancing variant. It pursues this goal by focusing on three different case studies that highlight different aspects of power in the partnership between the EU and the USA from 1991 to 2005. By “transatlantic relations”, this thesis means the complex and evolving partnership between the USA and the collection of nation-states on the European continent which are becoming increasingly integrated within the EU.

Each of the three case studies of this work involves a separate “dimension of power” within transatlantic relations. Firstly, the military dimension is discussed through an analysis of the EU’s bid to create an alternative military arm distinct from NATO from 1991 to 2003. Secondly, the diplomatic category is evaluated with reference to the EU’s involvement in the peace process between the Israelis and the Palestinians from 1991 to 2003. Thirdly, the economic section is addressed by examining the EU-USA steel dispute which arose in 2002/03.

The neorealist theory, formulated by Waltz in *Theory of International Politics* (1979) has been employed in the post-Cold War period to explain whether balancing strategies are possible under the post-Cold War unipolar system (Waltz, 1993, 2000; Layne, 1993, 2006). Instead, the soft balancing claim, outlined by Robert Pape and Thazka Varkey (T.V.) Paul,
has emerged in 2005 as a variant to Waltz’s theoretical construct. These approaches operate within the overall framework of balance of power theory and offer differing interpretations as to whether the USA can be balanced under unipolarity. As applied to the subject matter of this thesis, the Waltz framework would lead one to expect that European states would, sooner or later, coalesce sufficiently to challenge the USA’s relative power advantage, with the reason for this ‘balancing behaviour’ stemming from the structural distribution of power (Waltz, 1979). The architects of the concept of soft balancing assert that certain second-tier states, such as EU member states, are already in the process of balancing the US, albeit in different policy areas, with this argument being based on the fact that second-tier states do not necessarily respond to an unbalanced structural distribution of capabilities but rather to the aggressive posturing of the unipolar state’s leadership. Latterly, a strategy of soft balancing goes on to involve a deliberate intent to weaken the unipolar power’s pre-eminence (Paul, 2005; Pape, 2005).

This thesis argues that the rise of the EU to great power status in the post-Cold War period led to it exerting more influence within the international system. This phenomenon can be perceived, to varying degrees, across the three power dimensions underpinned by the case studies. In particular, the EU was able to exploit any opportunities to exert more influence that might present themselves within the unipolar international system. It was at greater liberty to pursue its own agenda without the compelling need to back the USA unconditionally as it had had to do during the Cold War as a consequence of having to deal with a common military threat. However, such an undertaking appears to have partly generated a structural as well as soft balancing outcome in the economic dimension of power. This could be seen as a striking conclusion because the case study on the economic dimension of power can be seen as the most difficult one for a theory such as neorealism. In
fact neorealism is only concerned with the international level and does not promise to explain outcomes generating from the domestic level of analysis. Despite the fact that the thesis points to a clear emergence of the EU among other actors as important economic blocs at a structural level and that the EU has been able to influence the USA in a more clear-cut way as evidenced by the steel dispute this case study does ultimately not provide enough evidence to validate the neorealist paradigm because the birth of the EU as major economic power is not traced as a direct response to unipolarity and there is also not enough evidence to speak of US dominance in the economic dimension of power.

In order to realise the aims of this study, the following three objectives are targeted. Firstly, the thesis tests the neorealist theoretical construct as adapted to the post-Cold War period and the soft balancing alternative. Waltz (1993; 1997; 2000) addressed the problem of balancing against the USA in the post-Cold War period. In so doing, Waltz drew upon his original theoretical contribution which regarded the Cold War as a bipolar stalemate (1979). Pape (2005) and Paul (2005), advancing the soft balancing argument, addressed the problem of the lack of hard balancing against the USA by offering a different conceptualisation of the balance of power framework under unipolarity. This thesis evaluates these theoretical propositions to assess the comprehensive efficacy of the revised balance of power framework as a guide towards better understanding transatlantic relations in the aftermath of the Cold War.

Secondly, the thesis considers that following the end of the Cold War the EU has developed great power status in a more clear-cut way. As part of this, the thesis addresses the on-going debate between offensive and defensive realists which has emerged in IR in the aftermath of the Cold War. Offensive and defensive realists differ in their predictions with regards to
whether or not states must always maximize their power or their security. This thesis argues that contrary to the offensive realists’ pessimistic prediction that Europe would revert to unbalanced multipolarity after the fall of the Berlin Wall, EU member states have extended the domain of their cooperation and successfully signalled to each other that cooperation is in their individual and collective best interests (Mearsheimer, 1990; Glaser, 1994/95; Grieco, 1990; 1993). At a systemic level, Europe has therefore reached a condition of ‘balanced multipolarity’ whereby three or more great powers with similar power capabilities co-exist and none of them ‘can make a feasible bid for regional hegemony’ (Hyde-Price, 2007: 43).

The third objective is to assess the strength of neorealism and soft balancing against particular case studies of transatlantic relations during the post-Cold War period. It achieves this through, firstly, explaining why the EU decided to increase military cooperation in the aftermath of the Cold War and to launch ESDP. Secondly, it delves into the EU’s efforts to engage with the peace process between Israel and Palestine from 1991 to 2003, with the case study paying particular attention to the transatlantic partners’ cooperation from 2002 to 2005 within the Quartet.¹ Thirdly, this research analyses the transatlantic economic relationship from 1991 to 2003, with specific reference to the EU-USA steel dispute.

1.2 RESEARCH QUESTIONS

This thesis can be seen as problem-driven as it addresses issues concerning the real world, and the preceding section has outlined the aims and objectives of this study concerning transatlantic relations in the post-Cold War period. That said, the research questions which inform the research design are derived from a theoretical framework and, accordingly, this

¹ The Quartet, composed by the USA, the EU, Russia and the UN, was established in the spring of 2002 with the intent of mediating the peace process in the Israeli-Palestinian conflict.

This work is principally guided by one main research question. Following on from that, there are two additional research questions for each of the three case studies.

1) Main research question: has the EU balanced the USA in the post-Cold War era as a result of structural incentives or as a consequence of deliberate planning?

This question is aimed at elucidating the theoretical routes which this thesis pursues. More precisely, this thesis investigates whether or not the emergence of the EU as a great power in the post-Cold War era led it to balancing the USA, the only superpower left within the international system following the removal of the USSR from the international scene. Neorealist and soft balancing outline two explanations for conceiving of the EU as a likely candidate for balancing the USA. The neorealist explanation asserts that this could occur as a response to the modified structural distribution of power in the post-Cold War period. Under unipolarity, the links which tied the EU to the USA during the Cold War are expected to be less constraining once a common ‘crystal clear’ threat had disappeared (Forster and Wallace, 2001: 107). As a consequence of this, the EU would seek to increase its power under unipolarity to create a re-balancing of the international system. The soft balancing position argues that circumstantial strategies of opposition to frustrate American power would ensue as a consequence of a specific stratagem by the EU. Following this logic, the EU would not seek to balance the USA in order to address the relative power disadvantage - the incentive of balancing is not structural – but, the EU could feel uncomfortable with the capriciousness of
the unipolar power’s leadership and might therefore undertake to minimise the unipolar power’s influence within the international system.

Case study 1: the EU’s bid to develop military autonomy from the USA from 1991 to 2003:

1. Even in the absence of a clear Soviet threat, have European states managed to create the foundation for cooperation so as to respond to unipolarity?

2. Has the EU created ESDP in the post-Cold War period with the deliberate intention of providing an alternative to NATO?

Research question 1 invites analysis of the reasons why European states decided to embark on the contentious project of generating their own military arm. More precisely, it aims at understanding the structural consequences of the advent of unipolarity upon the will of EU member states to integrate and to ultimately create a military arm they had exclusive ownership over. The second research question covers the period from 1998 to 2003 and invites evaluation as to whether or not the creation of, and the subsequent development of, ESDP can be considered to be either the result of the EU seeking to gain autonomy from NATO or if it was part of a plan the EU employed in order to provide a clear alternative to American military power.

Case study 2: the EU’s efforts to solve the Israeli-Palestinian conflict from 1991 to 2005:

1. Why did the EU play a more assertive role in the Israeli-Palestinian conflict in the post-Cold War period?

2. Has the EU’s influence in the peace process contributed to minimising American diplomatic leverage within the Quartet?
With this case study, the first question addresses the structural consequences of the rise of unipolarity in the context of the Euro-American partners’ influence in the Israeli-Palestinian conflict. It proposes to identify the reasons why the EU sought to exert more influence in the Israeli-Palestinian conflict in the post-Cold War period. Research question 2 looks at the transatlantic allies’ involvement within the Quartet for Peace. Since, with the formation of the Quartet in 2002, the EU gained a more well-defined political role in the peace process, this question analyses the complex dynamic of the transatlantic relationship associated with the EU having a more direct role in dealing with an on-going international conflict. It investigates in detail whether or not the EU’s new, and enhanced, political role within the Quartet gave it sufficient leverage to counterbalance American preferences and to challenge its undisputed role as the key third party between Israel and Palestine.

Case study 3: the EU-USA steel dispute:

1. To what extent has the overall economic framework in which the USA asserts its economic power changed?
2. Has the EU dealt with the steel tariffs in the way it did in order to minimise American influence within the WTO?

In the last case study, the first research question is aimed at discussing whether or not unipolarity enabled the USA to assert its influence within the international economic order in the same way it was able to do during the Cold War. The thesis seeks to discern whether or not the rise of the EU as a global economic power could be seen as contributing to a decrease of American influence within the international economy. The second research question focuses on the steel dispute which arose in 2002 and was resolved in 2003. It proposes to study whether the EU’s response to the US steel tariffs was a soft balancing act directed
towards hitting back the US economy following a unilateral decision taken by the GW Bush administration.

1.3 METHODOLOGY

This thesis tests the validity of the balance of power theory of IR, comprised specifically of Waltz’s framework and its soft balancing variant, by adopting a sophisticated variant of positivism, one which has been most influential in the social sciences over the past 50 years (Marsh and Furlong, 2002; Smith, 2007). This variant of positivism emerged out of logical positivism but, as Smith (2006: 14) emphasises, ‘moved away from its extremely stark criteria for what counts as knowledge and its reductionist view (contra Comte) that all cognitive knowledge should be based on the principles of physics’. In utilising sophisticated positivism the thesis adopts what Carl Hempel (1965) has labelled a ‘deductive-nomological’ model in order to test the theory which is understood as a general statement which describes and explains the ‘causes and effects of classes of phenomena’ (Van Evera 1997, p. 8). In so doing, this thesis follows a deductive logic whereby (a) a theory is postulated, (b) antecedent conditions are specified and (c) an explanation of what has been observed can be deduced (Smith, 2007).

The starting point of the sophisticated positivism approach is that the theory which is selected at the outset of the research process is well-founded and credible. A research hypothesis, including a conjecture about facts as well as relationships, is drawn from the analytical framework and is not regarded as a basis for the final solution to a problem but as a ‘step in a process’ (Eger, 1993: 8; Van Evera, 1990/91). According to Karl Popper (1963: 37), ‘the criterion of the scientific status of a theory is its falsifiability, or refutability or testability’. 
The criterion of falsifiability represented for Popper the solution to the ‘problem of demarcation’ between what can be considered as scientific and pseudo-scientific (Popper, 1968). Falsification of the chosen theoretical construct can, in turn, furnish three different end results. Firstly, the theory is not falsified and is therefore considered an advantageous tool for explaining an empirical result. Secondly, the theory is falsified and cannot explain an empirical event. Thirdly, the theory cannot be falsified as the researcher cannot retrieve enough data to validate his/her analysis.

An alternative approach to sophisticated positivism in seeking to address the research questions of this thesis would be post-positivism. Post-positivism is a “broad church”, as it includes various elaborate perspectives such as critical theory (Cox, 1981), postmodernism (Klein, 1994), constructivism (Wendt, 1992), feminism (Sylvester, 1994) and normative theory (Cochran, 1999). Although post-positivist approaches have been associated with internal disagreements among their advocates, in the main they share the conviction that the empiricist epistemology is no longer adequate for the study of world politics (Schmidt, 1997). As individual views are generally informed by a researcher’s own personal experiences and political orientation, it is unlikely that the outcome will be universally accepted truths (Crotty, 1998). This does not fit with the appeal of positivism within the discipline of IR, stemming as it does from its assumption that through the adoption of the scientific method it is possible to commit to a ‘quest for certainty’ (Cochran, 2002: 528). Post-positivists also tend to be critical of thinkers such as Waltz, who believes in the scientific nature of his theory (Ashley, 1986), and they do in fact tend to regard theories ‘narratives’ or ‘meta-narratives’, with theory-building in itself a research practice (Cox, 1981; King et al. 1994). Accordingly, if one were to adopt a post-positivist approach, this would be inconsistent with the idea of a
parsimonious theory such as neorealism, with its variant elaboration based on soft balancing, being adequate to discern patterns in transatlantic relations in the post-Cold War period.

Though a transition to post-positivism can be noted within the IR field, this does not necessarily imply the end of positivism (Smith, 1996; Schmidt, 2008). It is useful to recall at this point that this thesis aims to explain whether the EU has balanced the USA as a result of structural incentives or a set of deliberate actions, and it will go on to test two theoretical constructs belonging to the extended family of ‘balance of power’ theories. By testing the theory in this way, this research will anticipate being able to formulate a conclusion which could establish how persuasive Waltz’s framework and the variant elaboration by Pape and Paul are in explaining transatlantic relations during the post-Cold War period. For instance, Waltz’s theory could be valid; if so, this would suggest that the EU has balanced the USA and that there is a high degree of certainty that the law of balance of power theory is convincing. As suggested by Van Evera (1990/91: 36), this implies that ‘balancing behaviour is the prevalent tendency of states’. Secondly, the soft balancing argument might turn out to be more persuasive than the neorealist one, and this would in turn suggest, that the EU had deliberately set in motion mechanisms to hold back American power during the post-Cold War era as a response to the aggressive stance taken by the USA (Pape, 2005; Paul, 2005). If either or both the neorealist theory and the soft balancing argument are shown to be lacking in this setting, then this would indicate that both of these theoretical and analytical arguments are not completely credible when it comes to explaining transatlantic relations during the post-Cold War era.

In following a deductive-nomological model as part of a sophisticated positivist approach, the first challenge presented by neorealism is whether or not it can be validated by a rigorous
approach of hypothesis generation and hard-case testing (Waltz, 1979: 13-16). However, what the thesis is searching for is not objective knowledge related to whether the EU effectively balanced the USA in the post-Cold War period, but instead it sets forth to understand whether the theory is genuinely persuasive when it comes to explaining the phenomena under examination. As Waltz (1986: 36) bluntly suggests, ‘A theory is a picture, mentally formed, of a bounded realm or domain of activity. If truth is the question, then we are in the realm of law, not theory’. Moreover, again according to Waltz (1979: 68), ‘the subject matters of the social and natural sciences are profoundly different. The difference does not obliterate certain possibilities and necessities. No matter what the subject, we have to bound the domain of our concern, to organize it, to simplify the materials we deal with, to concentrate on central tendencies, and to single out the strongest propelling forces’. Also, as will become clearer in chapter 2, when it comes to the soft balancing argument, this recent addition to the literature on IR is an attempt to provide sustained theoretical attention to unipolarity as a novel condition in world politics but, as Brooks and Wohlforth (2005: 107) argue, ‘the soft balancing argument rose to prominence only in the past several years and has not yet been fully fleshed out theoretically’. Cognisant of this, the thesis will draw on empirical data to assess the validity of the soft balancing argument within the overall framework of balance of power theory.

In order to undertake the test of the theory, the principal research approach was the “Case Study method”, with the case studies representing the ‘demanding tests’ that the theory has to pass (Waltz, 1979: 13). To borrow from Gillham (2000: 1), a case study is an investigation of a particular case with the objective of answering ‘specific research questions…and which seeks a range of different kinds of evidence, evidence which is there in the case setting, and which has to be abstracted and collated to get the best possible answers to the research
questions’. Alternatively, Yin (1994: 8-13) defines a case study as ‘an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident’. In deciding to utilise the case study method, it is necessary to be aware that a single source of evidence does not in itself provide sufficient validity. It is crucial to seek out additional sources or evidence (Gillham, 2000). Within the case studies, a “process-tracing” methodology is adopted. Process-tracing allows the identification of the causal chain and relationship between an independent variable and the outcome of the dependent variables (Checkel, 2005). As George and Bennett (2005: 6) have put it, ‘in process tracing, the researcher examines...sources to see whether the causal process a theory hypothesizes or implies in a case is in fact evident in the sequence and values of the intervening variables in that case’. In the present analysis, the independent variable is unipolarity, understood as the structural distribution of capabilities within the international system, whereas the dependent variable is the process of balancing and the intervening variable is the rise of the EU to great power status.

The data utilised for process tracing is qualitative in nature. By adopting a sophisticated positivist approach, this study is committed to a scientific approach of theory testing but acknowledges the post-positivist challenge that ‘knowable truths’ are difficult to discern (Crotty, 1998: 40). The methodological challenges posed by this will be discussed in the next section.

1.4 SOURCES

In order to carry out a test of the neorealist theory and the soft balancing argument against the European-American partnership in the post-Cold War period, this thesis assesses the facts
concerning transatlantic relations. The objective of this exercise is to provide corroboration for the hypothesis which has been briefly mentioned in the preceding section and which will be set out in Chapter 2. The facts examined represent the empirical evidence against which the alternative propositions of neorealism and soft balancing are evaluated. While fulfilling this aim could lead to treating objectivity as a ‘responsible belief’, it is necessary to emphasise that complete objectivity is unlikely to be achieved (Scheffler, 1967: 4).

However, in order to achieve a robust and dependable level of accuracy, this thesis has adopted a “triangulation process”. The objective of this is to provide a cross-reference between documentary sources and semi-structured interviews, a ‘parallax view upon events’ (Davies, 2001: 75; Checkel, 2005). To achieve this, the thesis relies on a mix of primary and documentary sources (George and Bennett, 2005).

Primary sources were important for two principal reasons. Firstly, they provided the “coal face” derived evidence regarding (a) the EU’s development of ESDP (b) the dynamics of the Israeli-Palestinian conflict and (c) the trade dimension of the transatlantic economic relationship, helping to correctly place these entities both in their historical and more contemporary contexts. Secondly, this thesis looks at contemporary security and economic issues associated with the complex Euro-American partnership, and since such policy areas fall within the domain of national security and are subject to legalistic conditions of secrecy and confidentiality, the 20 semi-structured interviews that were conducted provide a rich source of additional detail to complement the documentary records.² Thirdly, they drew the attention of the researcher to items and areas of potential interest (and even importance) which might not have been immediately evident from sticking exclusively to documentary

² The full list of interviews is available in the references’ chapter. Interviews are quoted in the thesis through randomly designated numbers in order to preserve the interviewee’s right to anonymity.
records. While quality interview-sourced data is not considered in isolation but, rather, used to support the analysis of information and insights which have been assembled from other sources, it is essential to provide an explanation about how interviews were carried out and discuss this (Davies, 2001).

For the purposes of this, semi-structured interviews were carried out with EU officials from various institutions (European Commission, European Council, and EP), officials working at the EDA, experts working at various “think tanks” in Brussels and Tel Aviv, WTO officials working in Geneva, and NATO officials working at the NATO Headquarters in Brussels. I organised and conducted interviews by recourse to a “sociology snowballing strategy”. Accordingly, during an interview I always asked the interviewee, to provide me, if possible, with the contact details of another person or persons working within the same institution or organisation. For instance, during the first year of my research initial contact was made with some potential interviewees. I was attending appropriate workshops and conferences at which I was also presenting my papers as ‘work in progress’ – this included events at Loughborough University, University of Cambridge, University of Newcastle, University of Nottingham and University of Catania, weekly two-hour research seminars at Loughborough University, and summer schools which were pertinent to my research interests. On these occasions I was able both to network extensively with other scholars who were researching in areas relevant to mine and also discuss with them potential secondary contacts who might be valuable to my research and who therefore it would be useful to make contact with and, hopefully, arrange interviews with. In so doing, I was able to extend my sample group at the same time as I was framing and strengthening my research design. It is also important to add that the annual trips to Brussels organised by the department of politics, history and

3 Snowball sampling is a method for generating a research sample in a situation in which current study subjects retrieve future subjects from among their acquaintances. This sampling method is frequently exploited in hidden populations which are problematical for researchers to access.
international relations at Loughborough University in February 2007, February 2008 and February 2009 afforded me with the invaluable opportunities to network intensively with potentially appropriate interviewees. Once an initial contact had been made and business cards were exchanged, it was then much more straightforward to arrange the formal interview, by email or by telephone. When I travelled for research-related purposes, (to Rome during July 2006 to attend a Summer School on ‘Integrating Europe in a Changing World’, to Brussels during February 2007, 2008, 2009 and May 2008 and to Barcelona during June-July 2008), this afforded an opportunity to conduct face-to-face interviews. Some interviewees, owing to geographical constraints, had to be interviewed by phone rather than face-to-face – this was the case for think tank analysts based in Tel-Aviv Israel and for WTO officials working in Geneva Switzerland. This is significant and there were some limitations associated with interviews conducted by telephone, as I was not able to observe the interviewees’ “body language” which accordingly reduced the interviewer’s ability to get fully to grips with the personality of the interviewee during the interview and to properly gauge their genuine status within their institution. However, phone interviews did enable the author to reach widely-spread geographic areas in a cost-effective way and provided a valuable ‘kind of instant anonymity’ when highly sensitive questions were being posed (Berg, 2007: 110; Hesse-Biber and Leavy 2006; Nachmias and Nachmias, 1996).

Sophisticated positivism presented the thesis with methodological challenges arising out of the contemporaneous nature of the subject under examination. The close temporal proximity of the writing up of this thesis and the events it seeks to make sense of creates a challenge for practitioners involved in the actual ‘making of’ policies associated with transatlantic relations. As a result, data obtained through elite interviewing could be subject to bias as a consequence of the personal experience and agenda of the practitioner. For instance, officials
at EU institutions, the WTO and NATO are still at present time actively engaged in the formulation of ESDP, the EU’s approach to the Israeli-Palestinian conflict and the development of the EU as a fully-fledged economic actor. Also, they are aware of the sensitivities around these issues with respect to the future development of the partnership between the EU and the USA. As a consequence of this, they could be reluctant to discuss the true nature of policy negotiations and/or their own role within it. MEPs are also highly conscious of the fact that ESDP, the Israeli-Palestinian conflict and the EU’s role within the WTO are contemporary and exceptionally controversial political topics. They will also be aware that the act of engaging with research into these topics could become a subject of interest in its own right to the media and even to the electorate. With this in mind, depending on whether or not there is political capital to be gained or lost they could amplify or diminish their personal role in any process under investigation, and the accounts that people give would be likely to reflect what they perceive to be the most noteworthy achievements of their institution. Some may go further, with a think tank analyst considering releasing the interview to the media at a favourable point in time in order to gain maximal positive exposure and enhance their career.

The problem of practitioners potentially introducing their bias into their accounts was overcome initially by the use of anonymous quotable sources. In fact, if requested to do so by the interviewees beforehand, questions would be forwarded to them prior to the interview taking place. Interviewees would also be asked whether or not they would prefer to preserve their anonymity and/or whether he/she would prefer to be directly quoted or not. If they chose anonymity, the transcript of interviews would not be released to any archive or to any other individual or organisation. Moreover, it was made clear to the interviewees that their responses would be used for research purposes only. In this way, should the respondent feel
that the answers they gave might have the potential to appear inappropriate, the opportunity existed for them to veto the wider release of the interview’s contents. In so doing, the interviewee’s right to participate in a free and non-coercive manner was preserved. My supervisor was always informed beforehand of the people I would be interviewing, and he always read, discussed and revised the questions I would be posing. This was done so as to preserve the integrity and quality of the research design. Furthermore, upon completion of the interview and subsequent transcription, copies of the transcripts were sent to the respondents in order to ensure that the information provided by the respondent was as accurate as possible. On this basis, I can state that the fieldwork for this thesis was conducted in a successful fashion and that anonymity was preserved throughout.

In addition, in order to increase the robustness of the findings, this thesis checked the evidence obtained from elite interviews against information available from other sources, and the case studies contained in this thesis rely on extensive triangulation of primary and secondary sources. Primary evidence on both ESDP and the EU’s approach to the Israeli-Palestinian conflict was sought from officials working at the Council of the EU, the EDA, the sub-committee on security and defence at the EP, NATO Headquarters in Brussels and various think tanks in Brussels such as the European Policy Centre, the Centre for European Policy Studies, the Transatlantic Institute, EGMONT Royal Institute for International Relations and the Aspen Institute for Transatlantic Relations in Rome. Primary evidence on the EU-USA steel dispute was sought from officials DG trade of the European Commission and the WTO. In order to cross reference and triangulate interview evidence, the thesis relied on information gained from EU treaties, official statistics from the European Commission and the WTO, speeches by key politicians and officials in international organizations, official documents from international institutions and articles written by policy-makers and
practitioners. In addition, all such evidence was verified against quality daily newspapers such as *The Independent, The Guardian, International Herald Tribune, New York Times, Washington Post, Financial Times* and weekly magazines such as *The Economist*.

Through the use of data collection methods such as elite interviews and documentary analysis, it was possible to gather together an ‘all-source mix’ in order to cast light upon the ability of neorealism and soft balancing to explain whether the EU balanced the USA in the post-Cold War period as a consequence of structural incentives or a set of deliberate actions.

**1.5 STRENGTH AND WEAKNESSES OF THE THEORETICAL FRAMEWORK**

In order to complete the introduction to this thesis it is useful to discuss the key question as to why the thesis chose to test the neorealist and soft balancing propositions against transatlantic relations during the post-Cold War period. A number of reasons stand out.

Firstly, it is important to note that in the aftermath of the Cold War the transatlantic allies have followed different paths. In contrast to the situation during the Cold War (1945-1991), at a time when the transatlantic allies were bound together by concern regarding an overwhelming military threat coming from the USSR, in the post-Cold War period the expectation was that the USA would pay less heed to European security and that European countries would accordingly bring forward their integration project in order to facilitate becoming a security actor capable of dealing with any collective security on their own (Hyde-Price 2007).

Secondly, turning to the Middle East, shortly before the Second Gulf War got underway US Vice-President Dick Cheney stated that ‘once Saddam Hussein will be ousted, a good part of the world, especially our allies, will come around to our way of thinking’ (quoted in Daalder
and Lindsay 2003). Yet, with the onset of the American-led invasion of Iraq in March 2003, some proclaimed the “near death” of the transatlantic relationship between the EU and the USA (Pond 2003). In this context, the international image of the USA as the world’s only remaining superpower was damaged, while the EU manifested evidence of the chronic difficulties it had in framing a common foreign and security policy (Meital 2006). The way the war in Iraq subsequently shaped up seems symptomatic of the very different approaches being taken by the USA and the EU with respect to the Middle Eastern policy. This thesis will investigate the extent to which the preferences of these actors have clashed, albeit in the context of the Israeli-Palestinian conflict.

Furthermore, in the case of trade, the post-Cold War period has witnessed the emergence of the EU as an increasingly assertive economic actor. At the end of the Cold War the USA was potentially free to pursue its own economic agenda without a strong competitor. How the dynamic between these powerful actors has evolved, and with what consequences, will be analysed in the case study on the steel dispute.

The theoretical framework of this thesis comprises the neorealist and soft balancing propositions which are part of the broader balance of power family of theories. The latter generally rest upon four main premises. Firstly, the international system is anarchic in the sense that there is no central authority that sits above states and can protect them from each other (Mearsheimer, 2001; Hyde-Price, 2006). Secondly, states are sovereign units whose primary goal is to survive within the international system (Waltz, 1979). Thirdly, competition for power and influence is an inevitable feature of international politics (Paul, 2005; Griffiths 1992). Fourthly, when one state seeks to gain more power, threatened states will undertake to form defensive coalitions in order to counter the coming threat (Walt, 2005; Claude, 1989).
The purpose of this thesis is not to defend such assumptions but to critically evaluate Waltz’s framework and its soft balancing alternative which have developed their predictions based upon these assumptions. In the contemporary world, realist thinkers believe that balance of power dynamics still operate to varying degrees of intensity, whereas critics of realism assert that balance of power theory has become largely irrelevant (Brooks and Wohlforth, 2008). Indeed, since the end of the Cold War realism has become ‘the bête noire of every non-realist approach’ (Taliaferro, 2001: 131). Before turning to alternative approaches which might have been utilised to make sense of transatlantic relations in the post-Cold War period, it is important to sketch out why the balance of power theory framework appeared an appropriate tool for generating an explanation as to whether the EU has balanced the USA as a result of structural incentives or a set of deliberate actions.

Though not completely comprehensive, balance of power theory remains a very influential option for the study of international politics. As Wohlforth (2001: 233) has asserted ‘neorealism occupies a paradoxical position in contemporary IR. It is the theory that is most frequently proclaimed dead; and it is the theory that is most frequently proclaimed dominant’. Waltz’s framework allows the identification of underlying trends and sequences of behaviour at a systemic level of analysis. As Waltz put it (1995: 71), theory is an ‘organization of a domain…indicates that some factors are more important than others, and specifies the relations among them’. Neorealism also provides an economical and insightful framework which does not intend to provide a complete explanation of reality but only ‘highlight(s) a small number of big and important things’ (Waltz, 1986: 329). The soft balancing variant, which will also be tested in this thesis, also adheres to an economical approach but promises greater potential to provide explanation by introducing new unit-level qualities into the analysis, these being the qualities that Waltz overlooks such as the motivations of states (Walt, 1985). Furthermore, through the use of neorealism and its soft balancing variant, it
becomes possible to study the unipolar nature of power that has developed within the international system since the collapse of the USSR, and in this way it is possible to comprehend more fully the effects of a preponderance of American power on transatlantic relations in the absence of a common threat. In fact, it is the polarity of the structure that shapes the expectations and balancing strategy developed by the EU. With the soft balancing variant, it is possible to study whether the balancing strategy of the EU towards the USA is better understood as a response to the policies of the unipolar situation. Another advantage of this theoretical framework is that it allows for the EU to be viewed as a great power in its own right. As will become clearer in Chapter 2, the EU can be conceived of as a great power which is made up of several nation-states which, acting together, could be capable of balancing the USA. Another potentially valuable benefit of making use of the neorealist framework and its soft balancing alternative is that it makes it possible to deal with the concept of power. The realist school of IR is the most closely associated with the concept of power - although there has been lack of consensus among realists on how power should be measured and conceptualised (Schmidt, 2005).

In studying the rise of the EU as a great power in the post-Cold War era, this thesis treats the concept of power as being central to its analysis. Power is defined by the thesis as encompassing three different dimensions: military, diplomatic and economic. For each dimension the thesis analyses whether or not the EU has balanced the USA as a result of structural incentives or a set of deliberate plans. By considering the EU as a great power this thesis works with the assumption that the EU is capable of balancing against the USA in the post-Cold War period. Nevertheless, it is also important to underline that the case studies will highlight the fact there can be ‘three EUs’ as the ability by the EU to exert influence within the international system varies across the power dimensions analysed. This will influence, in turn, the ways in which it is possible (or not) to speak of balancing or soft balancing in
transatlantic relations. Alternatively, there is fluidity associated with the notion of the EU as a great power as one studies the EU’s potential to distance itself from the USA across the military, diplomatic and economic categories of power. The thesis will also draw on this discussion in chapter 2.

No theory will ever be perfect, and those utilised by this thesis do not break ranks. Within the limited space of a doctoral thesis, it is not possible to present all of the criticisms levelled at neorealism and its soft balancing alternative. For neorealism, there exists a vast literature and the author therefore chooses to focus on the key issue of balancing, and considers it to be central to the thesis. In fact, both Waltz’s framework and its soft balancing alternative have been criticised in the context of the post-Cold War period. Both Waltz and soft balancing theorists argue that the USA will be balanced either as a result of structure or a set of deliberate plans while, on the other hand, Brooks and Wohlforth (2008) question whether balancing or soft balancing is possible at all under unipolarity. Firstly, Brooks and Wohlforth (2005) reject balance of power theory - under unipolarity hard balancing has not come to pass and it is simply too costly for other great powers in the system to even contemplate challenging the USA’s dominance. The second important contention made by Brooks and Wohlforth (2005: 186), upon having tested the concept of soft balancing themselves, is that ‘scholars seeking to explain contemporary great power politics should resist the temptation to revise a theory so thoroughly enmeshed in the experience of past systems’. In particular they dismissed soft balancing as a ‘portentous-sounding term to describe conventional policy disputes and diplomatic bargaining’ (2005: 76). This thesis’s case study series will assist with understanding whether in the post-Cold War period the balancing mechanism has been in place in the context of the transatlantic relations.
1.6 ALTERNATIVE APPROACHES TO A STUDY OF TRANSATLANTIC RELATIONS

The preceding section served the purpose of highlighting the advantages of the theoretical framework and introducing the main criticisms which have been raised against it (Waltz, 2000; Pape, 2005; Paul, 2005; Brooks and Wohlforth, 2005). As neorealism is not the only theory that has been invoked in order to provide a perspective on transatlantic relations, this section aims at presenting two theories which could have been chosen as tools for understanding transatlantic relations in the post-Cold War era, the liberal and social constructivist theories. While it is not possible to provide a detailed analysis of each alternative theory, the section dwells upon their key rebuttals in order to provide a justification why a neorealist framework will be pursued.

It is useful to keep in mind that any single theory will not be able to account for all important aspects of a complex and multifaceted subject such as transatlantic relations. As Steve Smith (2007: 11) has put it, ‘theories can be seen as different coloured lenses: if you put one of them in front of your eyes, you will see things differently. Some aspects of the world will look the same in some lenses, for example shapes, but many other features, such as lights and shade of colour, will look very different, so different in fact that they seem to show alternative worlds’.

The liberal school is employed widely to make sense of transatlantic relations in the absence of a common military threat (Mowle, 2004). It generally tends to see cooperation as beneficial and leading to a potential transformation of ‘both states and the international system’ (Buzan, 1996: 50; Moravcsik, 1998; Keohane, 1986). Much like realism, the liberal
school is not an indivisible body of knowledge – indeed it comprises at least three different strands (Moravcsik, 1998; Walt, 1998). Firstly, there are liberals who argue that increased economic interdependence is an important factor towards explaining why states do not need to resort to force against each other in order to settle disputes (Copeland, 1996). Because the USA and the EU are both rich and powerful economic blocs sharing a very important economic relationship policy disputes arise among them as much as they derive benefits out of them (Cooper, 2009).

Secondly, liberal institutionalism, a concept generally associated with US President Woodrow Wilson, asserts that democratic states are more peaceful than authoritarian states (Doyle, 1986). The spread of liberal-democratic form of government is the key towards maintaining peace within the international system (Fukuyama, 1991). In the context of US-EU relations, the extent to which a particular state counterbalances US power is the result of how politically liberal that state is. As Owen (2001/02: 120) explains ‘liberal elites the world over tend to perceive a relatively broad coincidence of interest between their country and other liberal countries. They tend to interpret the United States as benign and devote few resources to counterbalancing it’.

Thirdly, neoliberal institutionalism has emerged as a contender to Waltz’s neorealist theory (Keohane, 1984; Baldwin, 1993; Snyder, 1992). This theory shares important neorealist assumptions such as the fact that the international system is anarchic and that self-interested actors interact within such a system (Jervis, 1999). Indeed, neoliberal institutionalism is a systemic approach which, much like neorealism, pursues a rationalist scheme in order to investigate cooperation contingencies under anarchy (Buzan, 1996). The gap between neorealism and neoliberal institutionalism is not enormous as Keohane and Martin stress that
‘for better or worse, institutional theory is a half-sibling of neorealism’ (1995: 3). Nonetheless, neoliberal institutionalism posits that international institutions such as the IMF, WTO and IEA can help to soften a state’s selfish interests and successfully push them into a more cooperative mindset (Wallander et al., 1999; Smith, M.E., 2004). Indeed, neoliberal institutionalism points to the fact that the potential for cooperation to achieve mutual benefits is far greater than the neorealist theory would acknowledge.

The discussion regarding the persuasiveness of the liberal school is not part of the overall aim of this thesis. Notwithstanding this, it is crucial to provide a justification as to why liberalism was not used. Liberalism tends to ignore the role of power, and - in so doing - it does not provide a substantial description of international security. It also tends to overlook the role that major powers tend to play in the creation and functioning of international institutions (Mearsheimer, 1994/95). When dealing with the absence of a Soviet threat or when trying to make sense of the conflicting interests of like-minded states when dealing with a struggle such as the Israeli-Palestinian conflict in a troubled region such as the Middle East, liberal theories ultimately fail to grasp the reason why states’ interests collide. Liberal internationalists, while proposing an approach such as the democratic peace theory which has showed to have a considerable degree of empirical validity, focus their analyses on the domestic nature of states. In other words, two states are peaceful towards one another if they are both democratic. In contrast, by working from a neorealist perspective this thesis assumes that conditions for peace are located at the systemic level of analysis, and by examining the distribution of power within the international system it will be possible to predict how its units will interact. Perhaps closer to the approach taken by this thesis is the neoliberal institutionalist framework. In fact, neoliberal institutionalism shares the neorealist view that the international system is anarchic and that states are the most important actors in
international relations. However, it differs to the extent that it insufficiently addresses the instances when inter-state cooperation is not achievable, which occurs when the interests of actors differently placed within the international system are at odds (Mowle, 2004). Alternatively, neoliberal institutionalists do not pay enough attention to the competing interests of actors within the international system, namely those factors leading to rivalry and the struggle for power (Hyde-Price, 2007). In international political economy, neoliberal institutionalists also ‘tend to overestimate the transformative potential of globalisation and have an overly positive view of economic interdependence’ (Hyde-Price, 2007: 26). Neoliberal institutionalists tend to focus their analyses where scope for cooperation between various actors within the international system exists (Smith, M.E., 2004).

The case studies contained in this thesis address issues such as military cooperation between the EU and the USA in a modified geo-political environment, diplomatic coordination in order to solve on-going strife such as the Israeli-Palestinian conflict where both the EU and the USA have vital interests and strive for influence, and the steel dispute where both the EU and the US have economic and business needs and aspirations which may not necessarily coincide. In other words, it looks at areas where it is assumed that their diverging interests might not lead to cooperation.

The other theory to have provided a different framework to neorealism which has indeed emerged as a major theoretical school in the 1990s is social constructivism (Wendt, 1999; Hopf, 1998; Weber, 2005), an approach has largely replaced Marxism as an alternative view of international affairs (Walt, 1998). Social constructivism helped to spark a resurgence of the study of ideas in international politics following the peaceful end of the Cold War in Europe (Gaddis, 1992/93). Social constructivist theories also tend to be diverse and not to
offer a coherent set of predictions regarding transatlantic relations. Nonetheless, they all reject the core materialistic assumption that the international system is anarchic. One social constructivist strand has specifically focused on the fallacy of the concept of anarchy, which is completely discarded (Wendt, 1992; 1999). Anarchy cannot help to explain why conflict occurs between states - as Alexander Wendt (1992: 391) succinctly puts it, rational choice treats ‘the identities and interests of agents as exogenously given and focusing on how the behaviour of agents generates outcomes’. Anarchy thus becomes ‘what states make of it’ (Wendt, 1992: 391). To borrow from Copeland (2000: 188), Wendt believes that whether a system is prone to conflict or peace does not depend on anarchy and power but on ‘the shared culture created through discursive social practices’. Another strand of social constructivism has dwelled upon the obsolescence of the territorial state in emphasizing that shared values undermine the sense of loyalty to the nation-state and altered the importance of the nation-state (Smith, H., 2002; White, 1999; 2001). A third strand of social constructivism has paid attention to the norms of international society and their effects on state identities and interests (Finnemore, 1996; Hopf, 1998; Katzenstein, 1996). For instance, a number of scholars writing from this perspective tend to argue that it is now possible to trace and contextualise a common international identity of the EU that is coexisting with the different national identities of the Member States (Manners, 2002; Lucarelli and Manners, 2006). This in turn helps the EU to pursue and project its own norms and values in the international system. To draw on Schimmelfennig’s contribution, the EU’s international identity is a ‘collective, post-national and liberal identity’ (2001: 50).

It is not possible to ignore the fact that norms and discourse play an important role in international politics, and constructivist theories are well equipped to explain the reasons why identities and interests change over time. Social constructivist approaches offer highly
sophisticated tools to interpret events of world politics. However, constructivist theories have been rejected as they lack predictive power, in that they emphasise that ideas matter but they are not able to tell which ideas (and their content) matter more than others in international politics (Walt, 1998). In short, there is no reference as to the concept of unipolarity in the post-Cold War period precisely because social constructivism rejects this concept. Furthermore, social constructivist theories would have presented further methodological difficulties to this thesis.

In fact, the objective of this thesis is to test the validity of neorealist predictions and soft balancing arguments. It is assumed that both approaches can predict whether or not balancing will happen because the distribution of capabilities leads one to predict how interacting units within the system will behave. By adopting a sophisticated positivist approach this thesis only shares in part the post-positivist methodology of social constructivism and its belief that ‘truths’ are difficult to observe. In testing neorealism and soft balancing, this thesis commits itself to focussing on the belief that (a) the international system is, and remains, anarchic and (b) the structure of international system became unipolar in the aftermath of the Cold War. If it were to adopt a post-positivist agenda it would need to affirm that reality is constructed by language and the core idea of the existence of a balance of power would not be important (Waever, 1996). In fact, neorealism provides a strongly rationalist theoretical construct, arguing that there is a causal process at play and that it is possible to tease out alternative testable propositions. This will be done in Chapter 2. In so doing, it will be possible to test neorealism and its ‘soft balancing’ variant.
1.7 THESIS OUTLINE

The remainder of the thesis progresses in the following fashion. Chapter 2 provides a detailed theoretical discussion of the concept of balancing as applied to the unipolar power constellation in the aftermath of the Cold War. In particular, three broad alternative answers that neorealist scholars provided during the post-Cold War period are singled out. Following on from that the chapter discusses the offensive/defensive realist dichotomy in order to tackle the rise of the EU as a great power following the demise of the USSR in 1991. After that, the chapter teases out a hypothesis which will then be applied to the case studies of the thesis.

Chapters 3, 4 and 5 involve testing the hypothesis through a discussion of the neorealist and soft balancing propositions against empirical case studies.

Chapter 3 concentrates upon the attempt made by the EU to create its own military arm from 1991 to 2003. It deals with the neorealist contention that the absence of a common Soviet threat, the advent of unipolarity and the expected waning of the American commitment to the defence of the European territory would lead the EU to engage in balancing against the USA. Furthermore, it presents empirical evidence with regard to ESDP missions Concordia and Artemis in exploring the contention that the EU deliberately set ESDP in motion to frustrate US power.

Chapter 4 is about the EU’s involvement in the peace process between the Israelis and the Palestinians, dwelling on the time frame between 1991 and 2003. It assesses the neorealist statement that the EU sought to exert more influence in the Israeli-Palestinian conflict so as to respond to a different and potentially more advantageous, power constellation. It then cross-examines the soft balancing proposition that the EU has developed a strategy in order to
frustrate American influence in the peace process. It pursues this task by tackling the complex Euro-American partnership within the “Quartet for Peace”, established in Madrid Spain in 2002 with the intention of seeking out a concerted solution to the Israeli-Palestinian conflict.

Chapter 5 takes a look at the EU-USA economic relationship in the post-Cold War period with an emphasis on the steel dispute which arose in 2002/03. It tackles the neorealist claim that the post-Cold War era would witness the emergence of alternative sources of economic power which would eventually undermine the US ability to be the leader of a liberal international economic order. Furthermore, it scrutinises the soft balancing rebuttal that during this dispute the EU has made use of an international institution so as to confound and limit the USA’s economic power.

This thesis will then turn to the final, and concluding, chapter 6, which discusses empirical and theoretical findings of the thesis and ultimately reflects on where further research is needed.
CHAPTER 2

NEOREALISM: A FRAMEWORK FOR ANALYSIS

2.1 INTRODUCTION

The present chapter introduces the theoretical parameters which will inform and frame the case study series in the next chapters. Its aim is to provide guidance for the empirical side of this research which attempts to gauge whether the EU balanced American power in the post-Cold War era as a result of structural incentives or of a set of deliberate actions. In order to carry this work through the chapter is outlined as follows: section I introduces the key concepts of unipolarity and balancing in its hard and soft alternative. It then proceeds to review three alternative answers neorealist scholars provided on whether balancing is (or not) possible against the USA as the unipolar power in the post-Cold War era. Section II constitutes the bulk of the chapter and focuses on a neorealist interpretation of transatlantic relations in the post-Cold War period, aspects of which will be treated in the case study series. Specifically, it is argued that the fate of the Euro-American relationship, having formed under conditions of bipolarity, was uncertain as the Berlin Wall fell in 1989 and the USSR dissolved in 1991. During the Cold War, the USA and the EC gradually developed a hierarchic relationship: the Americans would provide western European states with security through the NATO umbrella in light of a common military threat coming from the USSR and the EC would be allowed to embark on a path of regional economic integration. Following on from that, the section undertakes to provide the distinction between offensive and defensive realism which originated in the post-Cold War period. Following the neorealist logic, the end of the Cold War together with the disappearance of the Soviet threat would likely decrease
the level of dependence of European states on the USA. Offensive realists argued that anarchy would bolster strategies of self-help and power maximization among great powers with lack of possibilities towards cooperation. Conversely, defensive realists contended that anarchy would prompt states to adopt prudent strategies towards security maximization with the possibility of cooperation by understanding and manifesting each other’s motivations. It is argued here that as the process of European integration accelerated in the post-Cold War period and prospects of armed conflict between European states became more and more remote, defensive realism is well suited to attempt an explanation whether European states could be able to balance against an external power having not balanced against each other. On this basis, section III firstly discusses which categories are used in order to study unipolarity and then sets the hypothesis followed by three assumptions which back up the analytical framework and will be tested against the case studies in the remaining chapters of the thesis.

2.2 IS BALANCING POSSIBLE UNDER UNIPOLARITY? THREE ALTERNATIVE ANSWERS

As this thesis attempts to highlight whether the neorealist and soft balancing propositions are useful when it comes to discussing transatlantic relations in the post-Cold War era it is firstly necessary to be explicit with regard to why unipolarity is a significant concept for this thesis. Secondly, it is crucial to define what is meant by hard and soft balancing.

Unipolarity is important because the end of the Cold War in 1989 and the subsequent dissolution of the USSR in 1991 marked the end of a power constellation known as bipolarity which had taken shape after WWII and consolidated in the following years. Neorealists
proposed to answer the compelling question regarding the nature of the international system which emerged after 1991. In fact, they believed that the nature of such a system would have profound consequences on the way the balance of power would operate in the post-Cold War period (Little, 2007; Mearsheimer, 1990). In particular, it would have momentous consequences on the USA’s position relative to other states within the international system and the way states would seek to respond to such a new power configuration. And yet, neorealists were convinced that the advent of unipolarity would not mark the end of interstate security competition (Walt, 2009). The latter point takes us to what this thesis defines as balancing, which is, in turn, a central concept for neorealism. As this thesis is concerned with understanding whether the EU balanced the USA in the post-Cold War era either as a result of structural incentives or deliberate choices, it draws on two ways in which balancing can be defined. The first one is hard balancing as a result of structural incentives and the second one is soft balancing which is implemented as a direct response to the aggressive stance of the unipolar power. For the first one Randall Schweller’s definition is referred to, namely balancing ‘means the creation or aggregation of military power through internal mobilization or the forging of alliances to prevent or deter the territorial occupation of political and military domination of the state by a foreign power or coalition. Balancing exists only when the stakes concern some form of political subjugation or, more directly, the seizure of territory, either one’s homeland or vital interests abroad…balancing requires that states target their military hardware at each other in preparation for a potential war’ (2004: 166). For the second one we refer to Stephen Walt’s definition of soft balancing as involving ‘conscious coordination of diplomatic action in order to obtain outcomes contrary to U.S. preferences – outcomes that could not be gained if the balancers did not give each other some degree of mutual support’ (2005: 126). Such a definition clearly places motive at the centre of the notion of soft balancing (Howorth and Menon, 2009).
Unipolarity was accepted by political columnists arguably looking for a convenient shorthand to define the post-Cold War security system in the absence of the USSR and of any other superpower which could rival the USA (Krauthammer, 1990; Haas, 1999; Ikenberry, 2002). For example, Krauthammer asserted that that the ‘unipolar moment’ had arrived, this being intended as a period in which the USA clearly stood above other states (1990/91: 23). David Lake (2007: 48) has recently portrayed the USA as the ‘indispensable nation’. Other scholars such as John Ikenberry (2002: 20) referred to America’s ‘imperial ambition’. Many more scholars followed this stance by defining America’s unipolar moment as the beginning of America’s empire (Darwin, 2008; Joffe, 2002; Ignatieff, 2003; Gardner and Young, 2005; Barber, 2004; Simes, 2003).

Neorealist scholars such Wohlforth (1999), Owen (2001/02) and Mowle and Sacko (2007) also agreed that the world became unipolar following the end of the Cold War in the sense that no other superpower or group of great powers could measure up against the USA as the only superpower left within the international system. For instance, in a penetrating article written for the Financial Times historian Paul Kennedy (2002) observed that ‘nothing has ever existed like this disparity of power; nothing…I have returned to all of the comparative defence spending and military personnel statistics over the past 500 years that I compiled in The Rise and Fall of Great Powers, and no other nation comes close’. Robert Jervis (1993) and Richard Haas (1999) emphasised the fact that the USA had reached a position of primacy in the aftermath of the Cold War. In light of this, the USA would be able to exert more influence within the international system than other states. Samuel Huntington (1999) and Richard Rosecrance (1998) conceived of the system as uni-multipolar instead. In a uni-multipolar world, the global power structure is composed of four different levels. At the highest point, the USA has preponderance in every domain of power. At the second level
there are regional powers such as the EU, China, Brazil, India who are dominant actors in important areas but whose interests and capabilities ‘do not extend as globally as those of the U.S.’ (Huntington, 2003: 8). At the third level are secondary ‘regional powers whose influence in the region is less that of the regional powers’ and, finally, at the fourth level are other outstanding countries that are not able the exert as much influence within the international system as countries at the three top levels (Huntington, 2003: 9). John Mearsheimer (2001) also offered an explanation according to which the USA could be seen as having achieved hegemony in the western hemisphere but being constrained by geography – specifically, the two oceans that separate the USA from the world’s other great powers – in projecting enough military power to pursue global hegemony. Given this impossibility, the USA ought to remain a status quo power that poses little danger to the survival or sovereignty of other powers; it must be content with regional hegemony and seeking to prevent the rise of competitors in other regions.

Whereas neorealist scholars seemed to agree on the fact that the world became unipolar with the end of the Cold War and that the USA would not be faced with any direct threat of balancing in the immediate aftermath of the Cold War, on the second question regarding how stable such a new configuration of power would be neorealist thinkers soon split. There was no agreement as to how long the unipolar moment would last. This debate became more and more salient as unipolarity seemed to consolidate in the aftermath of the Cold War and balancing against the USA by other great powers did not emerge to any significant degree (Lieber and Alexander, 2005). In fact, figure 2.1 (Stockholm International Peace Research Institute, 2009) highlights that the USA dramatically increased its military spending by $218 billion from 1998 to 2007 with China and Russia following with an increase of $39 and $22 billion in real terms.
Furthermore, neorealist scholars could also not agree on whether traditional balancing by military means was the sole indicator of balancing against the USA. To sum up, despite the concept of ‘balancing’ is central for neorealism, there is lack of agreement on whether it is (a) already occurring, (b) in the process of occurring or (c) it will not occur. Next section will undertake to provide three main answers which have been given by neorealist scholars on this matter.
2.2.1 The structural approach: unipolarity is not durable; the USA will eventually be balanced

With the publication of the seminal *Theory of International Politics* in 1979, Waltz arguably provided the most scientific, parsimonious, notable and valuable attempt to develop a systemic theory of IR. As Waltz (1979: 128) argues, ‘the theory leads to many expectations about behaviours and outcomes. From the theory, which is based on the assumptions that states are like units with the same goal of surviving and that the international system is anarchic ‘one predicts that states will engage in balancing behaviour, whether or not balanced power is the end of their acts’. In international politics there is the expectation that balances of power reiteratively emerge after having been disrupted; this happens independently of domestic variables and under conditions of anarchy. The variations in the distribution of capabilities among states, in turn, mould different power constellations. As states are interested in maximising their chances to survive within the anarchic international system there are two ways in which balancing against hegemonic concentrations of power can happen. For instance, states can increase their own military capabilities (internal balancing) or aggregate their capabilities with those of other states (external balancing) (Waltz, 1979). As the case studies series will demonstrate, the reasons to balance hegemonic concentrations of power could well be the basis for enhanced cooperation among EU member states (Levy and Thompson, 2005; Little, 2007). In fact, as Waltz (1979: 127-128) puts it, ‘balances of power recurrently form’ and the very presence of a balance of power implies a balancing behaviour ‘to sustain it’, this being part of the competitiveness of international politics. In light of this, the theory leads to expect that states will engage in balancing behaviour because ‘states, if they are free to choose, flock to the weaker side; for it is the stronger side that threatens them’.
Shortly before the fall of the Berlin Wall on 9-10 November 1989, Waltz (1988: 52) contended that the Cold War was ‘firmly rooted in the structure of post-war international politics, and will last as long as that structure endures’. In the aftermath of the structural change caused by end of the Cold War and the crumbling of the bipolar standoff between the USA and the USSR, Waltz (1993: 53) maintained that bipolarity would endure, albeit in an ‘altered state’. On the one hand, bipolarity was still in place because Russia was still a great military power and no other great powers had yet emerged. On the other hand, bipolarity was amended because the USA was ‘no longer held in check’ by Russia or by any other combination of countries in the same way it had been checked by the USSR during the Cold War (Waltz, 1993: 52).

Waltz did not look at variables located at the domestic level of analysis in order to give his view of how stable the post-Cold War international security system would be. However, his theory would have to deal with challenging assumptions stemming from alternative interpretations regarding the stability of the post-Cold War international security system. For instance, other scholars referred to the democratic peace theory which drew, in turn, on Immanuel Kant’s proposition that democracies are peaceful and it is non-democratic regimes which are more likely to fight wars with each other. Specifically, Michael Doyle scrutinised this claim and found that liberal democracies indeed do not fight wars among themselves (1986). This conjecture was re-discovered and re-evaluated following the end of the Cold War. As a matter of fact, Fukuyama (1991) believed there was enough empirical data to take for granted that liberal democracies do not fight wars with one another. As observed by Jack Levy (1988: 661-662), ‘the number of wars between democracies during the past ranges from zero to less than a handful depending on precisely how democracy is defined, but these are
marginal deviations from a robust finding generated by rigorous and systematic empirical investigations’.

Waltz’s theory assumes that as international politics is dominated by the imperative of self-help, ‘the pressures of competition weigh more heavily than ideological preferences or internal political pressures’ (1986: 329). Therefore, neorealism maintains that despite the fact that states change internally, the international political system does not change externally (Layne, 1994). Waltz (2000: 13) ultimately got to grips with the democratic peace theory argument as he contended that the causes for war are not simply found in the internal characteristics of a state or in the state system but ‘in both’. In so doing, he appeared to reiterate the findings he had reached in his book *Man, the State and the War* in 1959 rather than in *Theory of International Politics* in 1979 (2000: 13). Notwithstanding this, how did Waltz conceive of stability in the altered post-Cold War system? Waltz (1988) had to start from a somewhat uncomfortable position as he had not considered the dismantling of the USSR as likely only one year before the fall of the Berlin Wall. Waltz remained consistent with the theoretical framework developed in *Theory of International Politics* as he did not exclude the possibility that balancing would happen against the USA in the future due to the presence of candidates for great power status such as the EC, Germany, China, or Japan (1993). In fact, as Waltz (2000: 28) further stresses ‘as nature abhors a vacuum, so international politics abhors unbalanced power’. The unipolar power constellation can therefore be considered as the least stable of all the possible power configurations at a systemic level because unbalanced power cannot last forever in international politics and second-tier states will sooner or later ally against the preeminent state. For this reason, states will engage in balancing against the unipolar power regardless of whether they perceive the unipolar power’s leadership as more or less benign (Waltz, 2000). Anyhow, Waltz’s balance
of power theory cannot tell ‘when’ balancing will happen (2000: 27). Focusing on the structural forces which shape and shove the outcomes of states’ interaction, Waltz’s theory leaves us with the only certainty that ‘for a country to choose not to become a great power is a structural anomaly. For that reason, the choice is a difficult one to sustain. Sooner or later, usually sooner, the international status of countries has risen up in step with their material resources. Countries with great-power economies have become great powers, whether or not reluctantly’ (1993: 66).

Christopher Layne (1993: 5), who was also writing from a structural realist perspective, asserted that unipolarity was an ‘illusion’. Drawing on historical examples of unipolar systems such as France’s hegemony in the 17th century, British hegemony in the 19th century and Germany’s bid to hegemonic power in the 20th century, Layne (1993) concluded that structural factors indeed play a key role in pressuring states to become great powers. Structural factors will ultimately erode the unipolar power’s relative advantage as second-tier states will engage in balancing against it. In fact, Layne (1993) asserted that consequences of anarchy such as balancing and the sameness effect would contribute to undermine unipolarity. Like Waltz, Layne (1993: 12) also dismissed the argument according to which balancing does not happen against a ‘benign’ unipolar power because the key reason why states balance ‘is to correct a skewed distribution of relative power in the international system’. In fact, as Layne (2004: 106) observes, ‘the concept of balancing expresses the idea of a counterweight, specifically, the ability to generate sufficient material capabilities to match – or offset – those of a would-be, or actual hegemon’. Therefore, systemic pressures will act upon states in order for them to improve their capabilities. As Layne (1993: 16) asserts, ‘great powers are similar because they are not, and cannot be, functionally differentiated. This is not to say that great powers are identical. They may adopt different
strategies and approaches but nonetheless they all must ‘be able to perform satisfactorily the same security-related tasks necessary to survive and succeed in the competitive realm of international politics’. In 2006, faced with the absence of military balancing by great powers against the USA and therefore with the continuing existence of unipolarity in the post-Cold War period Layne (2006) invoked balance of power theory once again by arguing that the USA was still on the verge of losing its unipolar edge and hence should engage in offshore balancing to accommodate the rise of new great powers.

To recapitulate, neorealism emphasises the nature of the post-Cold War system as unipolar and predicts that balancing against the unipolar power will happen. Balancing is not an end in itself but a means to maximize security under structural conditions of anarchy. To borrow from Waltz (2000: 64) ‘balancing is a strategy for survival, a way of attempting to maintain a state’s autonomous way of life’. Neorealism’s main claim under unipolarity is therefore premised on the core axiom that great powers will develop military capabilities which can ultimately curb the most powerful among them (Ikenberry, 2002; Little, 2007). In light of this, the unipolar power has to pay heed to the counter-balancing constraint which is, in sequence, a systemic imperative. Furthermore, unipolarity would not be peaceful according to neorealism. As Layne (1993: 40) asserts, ‘neorealist theory leads to the expectation that the world beyond unipolarity will be one of great power rivalry in a multipolar setting’. Nevertheless, as Waltz’s theory originally dealt with the Cold War bipolar stalemate, it leaves open the question with regard to exactly when balancing will happen under conditions of unipolarity. However, it is also possible to suggest that balancing may happen in a different way and not be solely military in nature. The structural approach only leaves the certainty that great power balancing is an inevitable consequence of the anarchic international system.
As Waltz (2000: 27-30) specifies, ‘theory enables one to say that a new balance of power will form but not to say how long it will take’.

2.2.2 Soft balancing: unipolarity is durable as long as the unipolar state’s leadership is not aggressive

The lack of evidence of military balancing against the USA to which I referred in the introduction of this chapter was unexpected for scholars writing from a neorealist perspective. With this state of affairs being quite puzzling, American scholars writing from a neorealist perspective offered a refinement to the concept of balancing under unipolarity. As Paul (2005: 54) notes, ‘a fundamental cause of hard balancing in the past – states’ fear of losing their sovereign existence to a hegemonic power – has had less salience since the end of the Cold War’. The lack of military balancing against the USA should not, however, reassure the USA that second-tier states will not seek to undermine its power with different means when they perceive that this should be done.

The refinement to Waltz’s original formulation focussed on the concept of ‘soft balancing’ which, like hard balancing, was defined in the first section of this chapter. Pape (2005) and Paul (2005) broadened the concept of balancing by publishing two articles in the summer 2005 issue of the serial International Security. In so doing, they joined the intense and on-going debate on whether the USA as the only remaining power within the international system can or cannot be balanced by second-tier states. Pape (2005) and Paul (2005) drew on the theoretical framework originally developed by Stephen Walt (1985; 1988) as ‘balance of threat theory’, which had previously been an important refinement to Waltz’s ‘balance of power’ theory. Specifically, in Walt’s view states do not balance against power only but
against threats. Nevertheless, the need to appease a stronger adversary or be able to reap the fruits of victory during wartime may drive states to ally with threatening states or to bandwagon with them (Walt, 1988). Threat, as Walt (1987) defines it, incorporates aggregate strength (size, population and economic capabilities), offensive capabilities, geographic proximity and aggressive intentions. Walt (1987: 46) adds other variables to this such as ideology, foreign aid and trans-national penetration understood as ‘the manipulation of one state’s domestic political system by another’. As applied to the unipolar power constellation balance of threat theory implies that the process of balancing against the USA depends not only on the USA’s power relative advantage but on the intentions of its governing leadership.

The literature on soft balancing does not present a unified definition of the concept. However, what soft balancing involves is the motivation of second-tier states to adopt policies which make the unipolar state’s exertion of influence more difficult. For instance, according to Walt (2009: 104), soft balancing happens ‘by assembling countervailing coalitions designed to thwart or impede specific policies’. Such outcomes would not be possible if ‘the balancers did not give each other some kind of mutual support’ (Walt, 2005: 127). On this basis ‘soft balancing’ is temporarily replacing hard balancing as the main strategy second-tier powers follow in seeking to delay and tame American power (Walt, 2005). Pape (2005) adds to this by stating that soft balancing is aimed at frustrating and undermining American unilateral and aggressive military policies. Efforts to weaken the unipolar power include territorial denial, entangling diplomacy, economic strengthening and signals of resolve to balance (Pape, 2005: 36-37). Paul (2005: 59) argues, in turn, that three main conditions ought to be met in order for soft balancing to occur: ‘(1) the hegemon’s power position and military behaviour are of growing concern but do not yet pose a serious challenge to the sovereignty of second-tier powers; (2) the dominant state is a major source of public goods in both the economic and
security area and cannot simply be replaced; and (3) the dominant state cannot easily retaliate either because the balancing efforts of others are not overt or because they do not directly challenge its power position with military means’.

In spite of such diversified elements constituting soft balancing, scholars who employ the concept agree that an alternative form of holding back US power is in place. Specifically, this happens as the attractiveness of the ‘soft power’ provided by American values and institutions diminishes (Nye, 2004). In line with balance of threat theory, Pape (2005: 14-15) argues that ‘perceptions of the most powerful state’s intentions are more important in unipolar than in multipolar worlds…the overwhelming power of the unipolar leader means that even a modest change in how others perceive the aggressiveness of its intentions can significantly increase the fear that it would make a bid for global hegemony…the logic of unipolarity would suggest the more aggressive the intentions of the unipolar hegemon, the more intense the balancing by second-ranked states’.

In order to support their argument, soft balancing theorists present various examples of policies undertaken by second-tier states which in their view, is aimed at delaying the unipolar state’s exercise of power. Second tier states do not respond to US power with the intent of altering the structural distribution of power but to obtain ‘better outcomes within it’ (Walt, 2005: 126). For instance, Pape (2005: 38-39) asserts that soft balancing has happened as ‘France, Sweden, and other European states used institutional rules and procedures in the UN to delay, if not head off completely, U.S. preventive war against Iraq’. Moreover, Europeans could seek to shift the balance of economic power against the USA by buying oil in Euros and contributing to decrease ‘the United States’ gross national product, possibly by as much as 1 percent, more or less permanently’. Paul (2005: 66) also refers to the Iraqi war
example when arguing that France and Germany used NATO against the USA by blocking ‘U.S. attempts to gain the alliance’s involvement in the war’. France has particularly been the most active European state to soft balance the USA in the post-Cold War period by seeking to constrain US power through international institutions such as the UN Security Council, NATO and the EU (Paul, 2005). Robert Art (2004) has also defended the soft balancing concept in suggesting that Europe’s effort to build its own military arm will increase Europe’s ability to take positions which are at odds with US preferences. In fact, as Art (2004: 206) puts it, ‘if Europe succeeds in its ESDP project, it represents a weak form of hard balancing, but with the caveat that its purpose is not to protect Europe from a U.S. threat to its security, but rather to give Europe more weight to better influence U.S. policies’. In the case of ESDP, there remains a difference between Posen (2006) who perceives ESDP is a classic example of hard balancing though it is not aimed at the USA and Jones (2007) who argues that European security cooperation is inversely correlated to American involvement in European security though Europeans do not identify the USA as a threat. In spite of this, soft balancers convene on the classic realist view that institutions are tools of the most powerful states in the system and that ESDP is brought forward by France and the UK as the EU’s great powers (Pape, 2005; Jones, 2003; Paul, 2005; Art, 2004). Walt (2005: 128) refers to soft balancing in the economic dimension of power as he refers to an effort made by a coalition of twenty-one developing countries – led by Brazil, India and South Africa within the WTO ‘to pressure developed countries to make significant reductions in their farm subsidies and other trade barriers’. This effort, as Walt (2005: 128) contends, ‘paid off in July 2004, when the developed countries were forced to make a series of concessions on agricultural subsidies that paved the way for a new round’.
The key difference between structural realists (Waltz, 1979; Layne, 1993) and soft balancing theorists (Walt, 2005; Pape, 2005; Paul, 2005) is that according to the latter balancing occurs not as a response to structural conditions of unbalanced power but in response to the aggressive stance of the leadership of the unipolar power. Therefore, the unipolar power can avoid second-tier states pursuing a balancing strategy against it by seeking to make sure it is not perceived as aggressive and unilateral. Specifically, as Pape (2005: 45) puts it, ‘soft balancing against the United States has begun, but balancing against a sole superpower is not destiny’. The imperative of soft balancing is not triggered by the system; it is not a response to the overwhelming military advantage of the unipolar power but to the aggressive policies of its governing leadership. Moreover, soft balancing theorists argue that in order for soft balancing to occur it is necessary to look at how second-tier states ‘can solve their collective action problem and work together to form a balancing coalition’ (Pape, 2005: 16). In pursuing soft balancing, states are still driven by the desire to be more secure by constraining the capability of the unipolar power to threaten their security. It does not simply involve frustrating the unipolar power’s policies (Brooks and Wohlfirth, 2005).

2.2.3 An alternative structural approach: unipolarity is both peaceful and durable; balancing against the USA is unlikely to happen

Despite using different analytical tools and assumptions, both proponents of balance of power and balance of threat theory contend that unipolarity is in place and that second-tier states will either balance as a response to structural incentives or are already soft balancing against the aggressive policies of the unipolar state’s leadership (Lieber and Alexander, 2005). However, another approach has developed within the balance of power theory framework since the advent of unipolarity. This approach can be labelled as an alternative structural
approach and has been adopted by scholars such as William Wohlforth and Stephen Brooks. These scholars reject both the likelihood of hard balancing as well as the presence of soft balancing (Wohlforth, 1999; Brooks and Wohlforth, 2005; 2008). They present three main arguments in order to support their claim.

Firstly, they argue that both the neorealist and the soft balancing variant are flawed because ‘the stronger the leading state and the more entrenched its dominance, the more unlikely and thus less constraining are counterbalancing dynamics’ (Brooks and Wohlforth, 2008: 23). For instance, the definition of unipolarity that Wohlforth (1999: 9-29) provides as ‘a structure in which one state’s capabilities are too great to be counterbalanced’ unswervingly implies that balancing against the unipolar power is simply too costly to be possible. The USA can be said to be immune from the counter-balancing constraint theorized by neorealist thinkers because the unipolar system also ‘multiplies the problems that complicated the balancing efforts of the past. Organizing collective action to check a rising power is hard enough; fashioning a durable coherent coalition against a well-established hegemon is a tougher order of business’ (Brooks and Wohlforth, 2008: 37). The main threat to the stability of the unipolar world is identified by Wohlforth (1999: 8) not in the future efforts by second-tier states to balance against the USA but from the ‘US failure to do enough’. Precisely, the USA is much less constrained by the incentives of the international system than other states are as it is the most powerful state in the international system. Nonetheless, as the system is centred on American primacy, Washington needs to be able to respond to the high demands for American engagement in an effective way (Wohlforth, 1999).

Secondly, soft balancing cannot be distinguished from ‘unipolar politics as usual’ (Brooks and Wohlforth, 2005: 79). The term balancing should not be stretched as far as to include
diplomatic squabbles which are part of the day-to-day business of international relations and do not necessarily imply that the unipolar power is being constrained or that a counter-balancing coalition will form against it.

Thirdly, they attack the soft balancing claim on the basis of its theoretical foundations (Lieber and Alexander, 2005). They reject the concept of soft balancing as a fully fledged theoretical explanation. Specifically, they argue that the missing link between soft balancing and balance of power theory gives the former a ‘dramatic punch’ (Brooks and Wohlforth, 2005: 76). As Brooks and Wohlforth stress, balancing is a ‘systemic constraint while bargaining is governed by the specific constellation of interests among the states involved in a given issue’ (2008: 96). Brooks and Wohlforth’s explanation does not emphasise the link between US relative power advantage and the presence of restraints on US security policy as the balance of threat or soft balancing variant does.

Despite being penetrating and timely, the critiques put forward by Brooks and Wohlforth (2005) against both the neorealist and the soft balancing explanations contain elements which divert attention from the aim of this thesis which is to understand whether the EU has balanced the USA in the post-Cold War system as a result of structural incentives or a set of deliberate plans. Nevertheless, a discussion of the reasons why this approach will not be tested against the case studies of the thesis has to be provided here. As a matter of fact, while this approach is discarded and not tested against the case studies, this thesis does not consider this approach as unpromising, especially as far as the case study on the military dimension of power is concerned. Rather, attention will be paid to the fact that this approach could be relevant to the case studies, and to the military dimension of power in particular, in the concluding chapter of the thesis.
Despite the fact that diplomatic controversies are not unusual in world politics, Brooks and Wohlfirth (2005) do not address the question about whether the USA has become ‘the focused target of diplomatic friction among nations after the Cold War’ (He and Feng, 2008: 369). Brooks and Wohlfirth (2005) are arguably correct in pointing out that under unipolarity and by virtue of its position of dominance in the military sphere, the way the USA behaves towards other states is very important in preventing a balancing response. Still, it can be argued that the way states engage diplomatically with the USA count as much as the way the USA engages with them. The case studies of this thesis place the EU’s response to unipolarity at the centre of attention and in order to test the neorealist proposition it will deal with outcomes at the international level. Brooks and Wohlfirth’s alternative structural approach is promising but to explain the reasons why states may divert from systemic incentives (not engaging in balancing behaviour) whereas neorealism explains the outcomes of states’ interaction at the international level.

Another reason for not testing Brooks and Wohlfirth’s approach is that these scholars treat unipolarity as a specific power constellation where balancing is not possible. In doing so, Brooks and Wohlfirth (2005) appear to reject the ‘root cause of balancing’ (He and Feng, 2008: 366). They argue that balancing has not happened and exclude this may happen in the short-medium term. Dealing with this criticism is more complicated because one cannot refuse to acknowledge that military balancing against the USA has not happened in the post-Cold War period. This would appear to confute the neorealist claim that under unipolarity balancing is going to happen and whoever undertakes to do it does not matter because the nature of the state that wields preponderance of power does not count. Following this logic, the EU can be treated as a potential candidate for balancing against the USA. The thesis operates in a balance of power theory framework and therefore commits itself to a theoretical
framework which holds that the distribution of capabilities whether unipolar, bipolar or multipolar, does not have an impact on the other elements of structure which are the ordering principle (anarchy) and the differentiation and specification of its units (Waltz, 1979). The fact that the system is unipolar does not change the anarchic structure of the international system and the states’ search for security. As Waltz (1979: 66) has argued, the ‘texture of international politics remains highly constant, patterns recur and events repeat themselves endlessly’. Under unipolarity, states may decide not to hard balance the unipolar power but this does not exclude the possibility that balancing will still be the prevalent tendency of states. As Glaser (2003: 406) has put it, ‘if European states believed that the United States was malignant and aggressive with an interest in controlling Europe, then America’s power advantage would be unlikely to discourage Europe from balancing against it’. In addition, European states may pursue other strategies of opposition to US power as the soft balancing theorists have argued (Paul, 2005; Pape; 2005).

Wohlfarth (1999) insists that bandwagoning is the most common strategy under unipolarity. Bandwagoning occurs when a state chooses to align with the strongest or most threatening state. This could be a viable strategy for middle and small powers (Walt, 1985). Nevertheless, the fact that the USA has been exempt from a clear and concerted effort to hard balance against it should not yet be evidence of the impossibility of any meaningful opposition to the USA (Pressman, 2004). If states do not balance against the USA, this should not be automatic evidence that they will bandwagon with it. While bandwagoning could be seen as likely in the military dimension of power, this thesis will highlight the extent to which the EU can oppose US power in the diplomatic and economic dimensions of power. This thesis considers balancing as a function of power; the more power a state has the more likely balancing occurs. This logic will be tested against the case studies of the thesis pertaining different
ways in which the EU can exert influence within the international system and, especially, towards the USA within a general context of US dominance since the end of the Cold War.

2.3 FOCUSING ON TRANSATLANTIC RELATIONS IN THE POST-COLD WAR ERA: A NEOREALIST APPROACH

2.3.1 Transatlantic relations during the Cold War era

The nature of balance of power during the Cold War is important to mention because (a) it is under such circumstances that the USA and Europe strongly bound themselves (b) it will provide the background for an analysis of the rise of the EU as an actor capable of balancing against the USA in the post-Cold War security system and in the absence of the Soviet threat.

The gradual formation of the bipolar power constellation which European states would find themselves locked into was highly revolutionary and in sharp contrast with Europe’s traditionally multipolar distribution of capabilities which had witnessed a very stark security competition in the two centuries prior to WWII (Jones, 2007; Berridge, 1987). Additionally, it was also a period in which, for the first time since the beginning of the state system of international relations in the 17th century, the political centre of gravity moved outside of Europe in the sense that European great powers would no longer be able to exert as much influence within the international system as they used to (Wagner Harrison, 1993; 1994). Furthermore, the USA also broke with its isolationist tradition in order to decisively get engaged with European security affairs (Gaddis, 1982; Young and Kent, 2004).

As part of the strategy of containment to counter an incumbent military threat coming from the USSR in the aftermath of WWII, the USA committed military forces to the defence of
Western Europe. Furthermore, communists were banned from western European
governments and NATO was ultimately formed in 1949 as a defensive alliance to counter the
Soviet threat (Kennan, 1973; Hyde-Price, 2007; Sloan, 2003; Webber, 2003). The formation
of NATO can clearly be seen as a balancing action against the USSR and it also owed much
to factors like the desire of western European states to keep America committed to Europe
following the abrupt shift of the structure of the international system from multipolarity to
bipolarity (Jones, 2003; Waltz, 2009). Specifically, the formation of NATO was a balancing
action against the Warsaw Pact which was established in 1955 after the transatlantic allies
had agreed to include West Germany into the alliance (Rosen and Jones, 1977). The USA and
the USSR committed themselves to the defence of lesser states within their own spheres of
influence. Military interventions were justified by domino theory and by the year 1949 the
Cold War superpowers could clearly consider themselves as ‘the undisputed arbiters of
Europe’s fate’ (Hyde-Price, 2007: 64). The USA remained deeply committed to the defence
of Western Europe throughout the Cold War fearing the implications of a possible Soviet
attack (Webber, 1996; Lundestad, 2003). As long as the USA and Western Europe perceived
the USSR as the threat they would remain bound to one another and the system would remain
bipolar (Kennan, 1973).

Though with varying degrees of intensity the bipolar structure persisted throughout the Cold
War until the fall of the Berlin Wall in 1989 and the final dissolution of the USSR in 1991.
Western European states set themselves on a revolutionary path of economic integration
through the gradual creation of the EEC (Calvocoressi, 1991). Facing the potentially hostile
Soviet power, they remained dependent upon the USA for their security (Mearsheimer,
1990). Notwithstanding this the EC member states manifested the contentious ambition to
create their own united foreign policy together with their own defence and military
institutions as the European movement, organized by the international committee of the movements of European unity presided by British Prime Minister Winston Churchill was launched at the Hague in 1948 (Young and Kent, 2004). This ambition did not, however, meet the expectations of those who believed Europe would manage to have its own foreign policy during the Cold War.

At the outset, the creation of EDC seemed to be the logical step following the creation of the ECSC in 1951 (Smith, M. H., 2008). The Treaty on EDC was signed by six Western European countries (Italy, Germany, France and the three Benelux countries) but was defeated by the French parliament in 1954 (Lerner and Aron, 1957; Deighton, 2002). The EDC had offered a solution to the main problem of the German rearmament, a highly sensitive issue immediately after the end of WWII (Geiger and Sebesta, 1996). As Jean Monnet wrote to René Pleven in October 1950 “The solution of the German problem in its military aspect (should) be sought in the same spirit and by the same methods as for coal and steel: the establishment of a European Army with a single High Command, a single Organization, unified equipment and financing, and under the control of a single supranational authority (German units would gradually be integrated into this initial nucleus)” (quoted in Jones 2007: 65). As Aron (1957: 11) reminds us, ‘EDC entailed the formation of 12 divisions of German military forces. European military integration was only realized on the army corps level and for the Commissariat on the administrative level’.

Intelligibly, EDC would become a European army in its own right and committed to territorial defence. However EDC remained the only attempt to create a “European army” during the Cold War. In its place, the Western Union organization of 1948 was updated and transformed into the WEU which included the six countries plus the UK. This became the vehicle for the rearmament of West Germany which joined NATO in 1955. Firstly, the
attempt to establish the EDC under bipolarity led to a reinforcement of NATO (Jones, 2003). Secondly, Western European countries acknowledged their condition of dependency on their US ally in enjoying the privilege of being provided security without having to pay the price for it (Smith, M.H., 2004). This effort, which was ingenious in the sense that defence integration among countries of Western Europe had never been on the agenda before, underlined two important and timely patterns which accompanied the process of European integration in the years to come up to the end of the Cold War. These are the desire of European states to reinforce integration including defence integration and the importance of the US strategic commitment to the defence of the European territory (Gordon, 1997/98).

The Europeans also remained economically unable to match the USA individually and they were therefore disinclined to regain their relative power status for fear of provoking the USSR and alienating the USA. As long as bipolarity would endure and as long as the territory of Western Europe would be an asset to US strategic interests, there would not be a shift to multipolarity in Europe (Mearsheimer, 1990). However, the effect of bipolarity in Europe was seen by Waltz (1979: 70-71) as positive to the extent that bipolarity ended the problem of chronic absence of cooperation among European states because their security depended more on the policies of others rather than their own and thus ‘unity could effectively be worked for, although not easily achieved’.

Bipolarity persisted under the immense fear of mutual assured destruction provoked by the availability of nuclear weapons (Waltz, 1986; Webber, 1996). It would endure at least until one superpower no longer considered the other as hostile, either through a change in policy or through a defeat withdrawal (Calvocoressi, 1991). With the unexpected and sudden collapse of the USSR in 1991 a huge question mark was left on whether the ties that bound the USA
and the EC/EU throughout the Cold War would now loosen or eradicate (Hoffman, 2000; Cyr, 2000). The structural forces which had limited the ability of European states to decisively reassert their influence had now seemingly disappeared.

2.3.2 The post-Cold War era: offensive vs. defensive realism

Having discussed three alternative predictions on whether the USA will or will not be balanced under structural conditions of unipolarity in the post-Cold War era and having overviewed the elements of the creation of a Euro-American partnership during the Cold War era this section introduces another important fracture which emerged among neorealist scholars in the post-Cold War era. This is the division between offensive and defensive realism and it is discussed here in order to put the formation of the EU as a great power and as a possible balancer against the USA in its perspective. Neorealism predicted that with the end of the Cold War transatlantic relations would unfold in a different context (Walt, 1998/99). European states would no longer be obliged to back the USA without a common security threat. The USA would not, in turn, feel the need of assuring military protection to European states. Against this reshuffling background, defensive and offensive realists offered important insights in order to understand for what reason states would still be induced to balance under anarchy (Collard-Wexler, 2006).

Whereas neorealism could be considered very persuasive towards explaining the Cold War, the different post-Cold War period opened up space for different conceptualizations and refinements of the theory (Cesa, 2009; Glaser, 1994/95; Petrova, 2003; Wohlforth, 1994/95). As Waltz (1979: 126) asserts ‘state’s primary goal is to maximize ‘security’ and not power. This theoretical stance arguably eliminated the ambiguity which was notable in Morgenthau (1948) according to whom power is a means and not an end. Power is a means, in Waltz’s
Realist scholars have sought to go beyond this assumption. As a matter of fact, it is now possible to distinguish between offensive and defensive realists. As Jack Snyder (1991: 12-13) states, ‘it may be helpful to distinguish between two variants of the Realist argument. Both accept that security is normally the strongest motivation of states in international anarchy, but they have opposite views about the most effective way to achieve it. One variant, which might be called “aggressive realism”, asserts that offensive action often contributes to security, “defensive realism” contends that it does not’. For both defensive and offensive realists, the shift in the distribution of capabilities within the international system impacts upon the way states pursue either power or security. They have different opinions in relation to whether states pursue power or security within the international system. For defensive realism the international system advocates moderation and prudence whereas for offensive realism it encourages states to bid for hegemony and preponderance (Dueck, 2005; Lobell, 2002).

Offensive realism maintains that the anarchic structure of the international system provides an incentive for states to maximise their relative power in order to be more secure (Mearsheimer, 2001; Labs, 1997). As Mearsheimer (2001: 33) stresses ‘states quickly understand that the best way to ensure their survival is to be the most powerful state in the system’ and the subsequent and ultimate hope for a state to be secure is to reach hegemony. Under conditions of anarchy and with security being scarce, it is very difficult for states to reconcile the systemic incentive to pursue hegemony and the possibility to cooperate with other states for fear of losing relative gains. Nevertheless, preventing relative losses and reaching hegemony cannot guarantee security to a state as maximizing power can ultimately drive a state to fight against its rivals, this being the tragedy for great power politics (Mearsheimer, 2001; Snyder, 2002). Moreover, it is impossible to define the quantity of
power a state needs in order to feel secure because the system compels states to pursue as much power as possible (Labs, 1997; Mearsheimer, 2001). Furthermore, Mearsheimer (2001: 34) provides two reasons to explain why great powers will strive for more power even after having achieved a large military advantage over other states. Firstly, ‘power calculations alone do not determine which side wins a war. Clever strategies, for example, sometimes allow less powerful states to defeat more powerful ones’. Secondly, ‘determining how much power is enough becomes even more complicated when great powers contemplate how power will be distributed among them ten or twenty years down the road’. Two states may still increase their power through cooperation, but one of them will be concerned about the relative power advantage that one or the other is at last able to accumulate. For offensive realists, cooperation stresses the enduring problem of international relations, this being the process of adjustment to uneven growth of power among states. States are destined to remain vulnerable to each other’s actions. Offensive realists are not sold on the idea that motivations can play a significant role in international relations because anarchy does not allow states to gain knowledge about the motivations of other states (Taliaferro, 2000/01). On this basis, offensive realism pictures a world in which states always have to guard against each other and be ready ‘to take advantage of other states and gain power at their expense. The best defence is a good offence’ (Mearsheimer, 2001: 36).

Defensive realism has developed a slightly more optimistic view of state behaviour under the anarchic international system. Defensive realists indeed share with offensive realists the fact that the international system is anarchic but, as Joseph Grieco (1988: 499) stresses, ‘states are positional, not atomistic, in character’. Instead of emphasizing the incentives of the system to practice self-help, that is to distrust and compete with other states, defensive realists put their finger on the incentives for cooperation and the costs of competition. Nonetheless they
believe that cooperation remains difficult to achieve. In fact, despite states wish to maintain their position in the system they still seek to avoid relative losses towards other states (Waltz, 1979). In contrast to offensive realists, defensive realists argue that states maximise their security through seeking to preserve the existing balance of power. Subsequently, the anarchic structure of the international system rewards states who choose to adopt prudent security strategies to ensure their survival and safety. For defensive realists, a rational actor in an anarchic environment does not have a pre-disposition for any pattern of behaviour. The actor will calculate whether cooperation or competition is in its best interest. In so doing, defensive realism allows space for motivations to play a role in the analysis.

For instance, Charles Glaser (1994/95: 53) posits that rational actors should not only be concerned about their capabilities but also about motives; ‘countries should sometimes exercise self-restraint and pursue cooperative military policies, because these policies can convince a rational opponent to revise favourably its view of the country’s motives’. Glaser further argues that through rational, self-centred goals – and not through liberal means such as institutions – states can be and are motivated to achieve high levels of cooperation. States must however be able to demonstrate to their adversaries that their intentions are ‘benign’ and can do so through three types of military policies: arms control, unilateral defence, and unilateral restraint (1994/95: 67-68). They are able to do this most clearly with their military policy, adopting strategies that a non-security-seeking state would find too costly such as by reducing armed forces to a level that could ensure defence yet would be insufficient for an offensive campaign. In this way, a security seeking state is able to allow other states to understand what its motives are. Glaser concludes that Waltz’s neorealism misjudges the propensity of states to depart from systemic pressures and to adopt conflictual patterns of behaviour. Glaser re-evaluates structural realism and offers his own theory of ‘contingent
realism’ (1994/95: 63). In this vein, Glaser argues that despite the fact that the distribution of power within the international system is an important variable, it does not allow to take account of the circumstances in which security seeking states will not seek to maximize their relative power.

Randall Schweller (1996: 115) equally argues that anarchy does not fashion an automatic propensity for states to conflict, at least not if we assume that states’ primary motivation is to enhance their own security. As he puts it, ‘if all states seek the minimum of power needed for security, threats sufficient to provoke balancing behaviour will not arise in the first place…anarchy among units wishing to survive does not mean that war is always possible, and states that do not pursue security will be punished by the system’. In light of this, providing that all states seek to gain security there should not be any propensity towards war. Conflict does not occur because of systemic insecurity but rather because states are actually aggressive. As domestic government cannot prevent criminal activity when individuals choose to commit crimes, a world government could not eschew inter-state conflict if at least one state has a motivation for doing so.

Andrew Kydd (1997: 115) agrees with Glaser (1994/95) and Schweller (1996) that motivations as well as capabilities matter in terms of state behaviour, arguing that ‘…anarchy is not so bad in and of itself, it only leads to problems if there are states with aggressive motivations, a desire for more land or power for instance’. If security-seeking states are indeed rational, they will strive to understand the motivations of other states. If a security-seeking state can be sure that another state is also security seeking then there will be the possibility for cooperation; otherwise, states will resort to self-help and try to increase their relative power in order to safeguard their own security. To summarize, the puzzle is about
whether the motivations of one unit within the international system and under anarchy are perceptible in any event. Glaser (1994/95) suggests that states can send signals to others. Kydd (1997) notes that, whilst these signals may be prohibitively expensive for aggressive states, they may bear no cost for security-seekers; an aggressor, for example, may have to generate domestic support for its policy with invective about another state, whereas a security-seeker can give little weight to such rhetoric. Secondly, going one step beyond Glaser and into the field of neoliberalism, Kydd (1997: 119) claims that the policy processes of democratic states usually make information regarding their general intentions almost impossible to hide so that, ‘if a democracy is really a security seeker, the openness of its policy will reveal this to the world’. In establishing a link between these unit-level variables and neorealism’s insistence on the effects of anarchy, Kydd rejects the traditional structural argument that wars occur regardless of the good intentions of any particular state. Structural realists, he argues, ‘strongly overestimate the difficulty in assessing state motivations. Information on the motivations of security seeking states is so easy to come by that mistaken fears about motivations cannot plausibly explain any significant war, arms race or crisis this century’ (1997: 128).

2.3.3 Neorealism and peace in Europe in the post-Cold War era

As this thesis emphasises the importance of the distribution of capabilities in the post-Cold War period (unipolarity) as the independent variable determining whether the EU balanced the USA as a result of structural incentives or deliberate plans it is necessary to dwell upon what consequences the structural change provoked by the end of the Cold War had on transatlantic relations. Having introduced the distinction between offensive and defensive realism this section turns to the relevance of the arguments outlined above towards explaining
how peace came to dominate in Europe after the break-up of the USSR. Here, a distinction can be made between those who believed that Europe would plunge into a condition of unbalanced multipolarity and dangerous instability (offensive realism) and those who contended that, despite the likely American disengagement from European security, it would be possible to maintain peace within the European continent (defensive realism).

The offensive realist John Mearsheimer (1990) expected a return to multipolarity in Europe after the collapse of the USSR. In fact, Mearsheimer contends that, at a systemic level, bipolar systems are inherently more stable than multipolar ones. Noting that ‘the European state system has been plagued with war since its inception’ till 1945 and the formation of bipolarity at the structural level Mearsheimer (1990: 11-12) predicted that Europe would go ‘back to the future’ as part of the patterned nature of the balance of power and since ‘the keys to war and peace lie more in the structure of the international system than in the nature of the individual states’. The future of European security without the American pacifier would therefore be one of competition and not of cooperation. As Mearsheimer (2001b: 52) contends, ‘without the American pacifier Europe is not guaranteed to remain peaceful. Indeed, intense security competition among the great powers would likely ensue because, upon American withdrawal, Europe would go from benign bipolarity to unbalanced multipolarity, the most dangerous kind of power structure’. Mearsheimer’s suggestion to decrease the possibility to ‘go back to the Future’ was for the USA to encourage and carefully manage nuclear proliferation in Europe as well as to maintain military forces in Europe. Mearsheimer (1994/95) has also argued that international institutions would not be helpful in maintaining peace in Europe as they do not have any tangible effect on state behaviour.
As the 1990s progressed, the prospects for a ‘Back to the Future’ scenario declined whereas the forces of deeper integration among European countries advanced (Jones, 2007). European states appeared to intensify their efforts to lift themselves out of the catastrophic scenario of a return to unbalanced multipolarity to which Mearsheimer thought they were destined (1990; Hyde-Price, 2007). This development partly caused the need for researchers to reformulate neorealism in order to take account of unit-level variables as defensive realists have done. As European states failed to conform to the expectations of offensive realism and achieve cooperation both internally with each other and externally with the USA, researchers from other paradigms judged realism as misleading (Legro and Moravcsik, 1999; Vasquez, 1997; Milward, 2001). For instance David Lake (1999: 44) symptomatically asserted that ‘whether or not realists got the Cold War right, they have most certainly got the warm peace wrong’.

Still, defensive realists did not fear a return to unbalanced multipolarity and have indeed offered a more optimistic interpretation according to which European states would manage to integrate, not balance against each other and subsequently contradict Mearsheimer’s gloomy prediction. As noted above, defensive realists offered a theoretical interpretation according to which self-help and the competitive pursuit of power would not be the only means for a state to survive in anarchy. For instance, Van Evera (1990/91) has argued that the waning of causes of war such as offense-dominance, militarism and hyper-nationalism would indeed render Europe more secure in the post-Cold War period. Grieco (1996) chose to come to terms with the undisputable challenge that the continued practice of economic cooperation within the EC poses to neorealism in the post-Cold War period. In doing so, Grieco (1996) argues that the fact that European states have accepted to intensify their cooperation through supranational institutions is almost an unsolvable puzzle for neorealism. Furthermore, according to Grieco (1993), states which have a mutual interest in containing animosity may
negotiate rules for collaborating so as to have a voice in preventing domination of the stronger state over the weaker. Charles and Clifford Kupchan (1991) have claimed, in sequence, that a concert-based collective security could take place in Europe as relying on a small group of major powers to guide the operation of a region-wide security structure. In a similar vein, Hyde-Price (2007: 43) conceived the European security system as operating under ‘balanced multipolarity’, intended as a power structure in which there are three or more great powers who choose to pursue security maximization and not power maximization as none of them can make a serious bid for regional hegemony.

In practice, and contrary to the eternal balancing expectation of offensive realism, European states seemingly found a way to institutionalise their motivations to cooperate despite structural pressures towards self-help strategies. In fact, the European integration process accelerated in the post-Cold War period with the signing of the Maastricht Treaty in 1992 establishing the EU which, as Weitsman (1997: 191) has suggested, increasingly came to look like not simply an alliance formed against an adversary, but one that was formed between adversaries, thus improving ‘the chances of enduring peace among Union members’.

In view of the choice of European states to accelerate and deepen the process of European integration, it became more and more problematic to sustain offensive realism. However, whereas reverting to unbalanced multipolarity was a likely scenario for Mearsheimer (1990; 2001b), it was not one according to defensive realists as noted above. The fact that European integration has continued and apparently contradicted this scenario is not entirely convincing evidence that neorealism as a whole got it wrong. Whilst the EU has weakened the case of offensive realism, the case for defensive realists arguably may remain valid. Precisely, if European states do not balance among themselves, acting together they may balance against others. In short, the collection of European powers may well be coalescing into one single
unit and that unit must face up to the incentives and incentives of a unipolar world. As the first variant of neorealism (offensive realism) seems ever more remote, it now falls back on its alternative that a rebalancing of the global system will occur through the EU as a global actor (Haseler, 2004).

2.4 APPLYING THE ANALYTICAL FRAMEWORK TO TRANSATLANTIC RELATIONS IN THE POST-COLD WAR ERA

The defensive realist logic outlined in the previous section is promising in order to put the development of the EU as a great power in its perspective. This research purposes to explain whether (or not) the EU as an actor balanced the USA in the post-Cold War era as a result of structural incentives or deliberate plans. In doing so, it proposes to expand on the work of Hyde-Price (2004; 2006; 2007; 2008). Hyde-Price employed neorealism in order to make sense of the stability and durability of the post-Cold War European security order. Hyde-Price (2007: 43) argues that ‘balanced multi-polarity is crucial to understanding the dynamics of post-Cold War European security’, having emerged in Europe under conditions of global unipolarity. Balanced multipolarity is characterised by the presence of three great powers in Europe (UK, France and Germany) and two offshore balancers (USA and Russia). Hyde-Price acknowledges that the structural change at Europe’s regional level (balanced multipolarity) has allowed Europe to remain peaceful. Nevertheless, as Hyde-Price (2007: 179) stresses, ‘balanced multi-polarity presents a paradoxical situation for European decision-makers. On the one hand, the absence of a potential hegemon in their midst means there is no clear and present danger against which to balance. On the other, the peeling away of bipolarity overlay and the emergence of a multipolar order has created a more complex and multifaceted policy environment in the European security system’. Hyde-Price (2007: 179)
further notices that ‘responding to a US hyperpower seeking to maximise its power and influence’ is one of the major challenges for the EU. The objective of this thesis is thus to verify how the EU has responded to US power in the military, diplomatic and economic dimensions of power and whether the tools provided by neorealism and soft balancing can help in elucidating this.

As briefly mentioned in the introduction of this thesis, it is appropriate to point out that as the case studies deal with different dimensions of power within transatlantic relations ‘three EUs’ will effectively become visible in the remainder of the thesis. In particular, this thesis will show that the great power status does not allow the EU to exert the same level of influence vis-à-vis the USA from a military, diplomatic and economic point of view. Indeed, dealing with ‘three EUs’ is likely to highlight several differences throughout the case studies in terms of the processes and outcomes of the creation of the EU as a great power that this thesis seeks to unfold, that is the process of balancing as a result of structural incentives or deliberate plans. Moreover, as the EU is considered as a collection of member states in the European continent which are becoming increasingly integrated it will become clear in the successive case studies that the level of integration among member states varies depending on which category of power is analysed. This has an impact, in turn, upon the way it is possible to conceive of the EU as a great power capable of exerting influence within the international system and to act as a balancing force against the USA. As Buzan (2005: 148) points out, ‘the EU is a pretty advanced case of conscious convergence among states, and many of its stresses and strains result from the continuous necessity of adjusting to this process’. For instance, in the military dimension of power it will be more difficult to speak of the EU as a great power on its own as the level of agreement among its member states is relatively low on matters regarding military integration. In the diplomatic dimension of power it will appear more
noticeable that the EU has emerged as a great power capable of manifesting its own distinctive view on the issues associated with the solution of the Israeli-Palestinian conflict despite the fact that its member states continue to have their own way of dealing with the Israeli-Palestinian conflict. The latter will not be the subject of the analysis as the case study will focus on the potential of the EU as a great power and its diplomatic involvement to solve the Israeli-Palestinian conflict. However, there will be reference to the fact that the complex history of European involvement in solving the Israeli-Palestinian conflict, especially during the Cold War, highlights the extent to which the approach of the EU to solving the conflict could be more fragmented than it actually appears. Lastly, in the case study on trade the thesis shows yet ‘another EU’ in the sense that in the economic dimension of power the status of the EU as a great power is more transparent. Arguably, in the economic dimension of power the EU was able to develop its great power status before the end of the Cold War. Particularly, it could already compete with the USA economically by the time of the Kennedy Rounds in the 1960s. Therefore, the economic case study presents an EU which is more capable to show its great power status and compete with the USA.

The development of unipolarity at the global level following the end of the Cold War will be treated as the independent variable. The dependent variable will be the process of balancing and the intervening variable will be the rise of the EU as a great power. The hypothesis this thesis aims to test against the case studies fits the theory’s logic (Van Evera, 1997). It can therefore be outlined in the following way: if unipolarity causes the EU to become a great power, I anticipate the EU will seek to balance the USA as result of structural incentives (hard balancing) or deliberate plans (soft balancing). In the realm of political science, observation is the most typical method of testing (King et al. 1994). As Van Evera (1997: 29) has highlighted, ‘in political science experiments are seldom feasible, with rare exceptions
such as conflict simulations or psychology experiments’. This thesis tests the hypothesis through observational case study analysis whereby ‘the analyst explores a small number of cases...in detail, to see whether events unfold in the manner predicted’ (Van Evera, 1997: 29).

As it is not practical to look at unipolarity in an exhaustive way through three case studies, unipolarity is measured by looking at how the USA scores on a number of indicators or dimensions of power. For instance, James Sperling (2001) provides us with useful indicators for an analysis of American power, albeit in the context of German power in Europe. Sperling’s isolated indicators represent four elements of power. These are ‘ideological power (providing a rationale for accepting a given social order), military power (the ability to coerce and protect), political power (the ability to regulate social activities) and economic power (control over production, distribution, exchange and consumption)’ (2001: 395). These elements combine material, political-institutional and ideological elements of power which could, in turn, be summarized in three main channels: economic, military and ideological dimensions of power. For the purposes of this analysis, ideological power will not be considered. Ideological power is certainly a very important category when considering the multifaceted nature of US power under unipolarity (Mann, 2003; Barber, 2004). Nevertheless it does not closely relate to neorealism and to the type of analysis this thesis undertakes to provide. In fact, as this thesis concerns an analysis of whether the EU balanced the USA as a result of structural incentives or deliberate plan along the dimensions of military, diplomatic and economic power the categories I consider here are military, diplomatic and economic.

As discussed above, ‘three EUs’ will become visible in the successive case studies. However, it is important to point out that the case studies will also show that there are different degrees of unipolarity in the international system. This reflects the varying degrees to which the USA
has been able to exercise preponderance of power across the military, diplomatic and economic dimensions of power in the post-Cold War period. In fact, while unipolarity is more clearly observable in the military dimension of power, in the diplomatic and particularly in the economic dimension of power a pattern of US dominance is more difficult to discern. Accordingly, in the same way the case studies evidence ‘three EUs’ they also highlight that there can be three different USA. The way transatlantic relations have unfolded in the post-Cold War era is therefore likely to vary depending on which power dimension the thesis undertakes to analyse.

At the beginning of each chapter concerning a case study there will be a discussion on whether the USA can clearly be seen as having achieved unipolarity in the relevant dimension of power. Following on from that, the hypothesis will be tested against three different case studies involving the transatlantic relations in the post-Cold War period. Each case study refers to three different dimensions of power, namely military, diplomatic and economic. Each dimension of power corresponds, in turn, to a case study. This is summarised in table 2.1.

**Table 2.1 Power dimensions and case studies of the thesis**

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<th>Power dimension</th>
<th>Case study</th>
</tr>
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<tr>
<td>MILITARY</td>
<td>The gradual creation of the EU as a security actor (from CSFP to ESDP) from 1991 to 2003 with an emphasis on missions Concordia and Artemis launched in 2003</td>
</tr>
<tr>
<td>DIPLOMATIC</td>
<td>The EU’s involvement in the peace process</td>
</tr>
<tr>
<td>ECONOMIC</td>
<td>The transatlantic economic relationship from 1991 to 2003 with a stress on the EU-USA steel dispute in 2002/03</td>
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The goal of the case studies is to determine whether the evidence supports or weakens the case of neorealism and its soft balancing variant outlined above in judging whether the EU is in the process of balancing the USA as a result of structural incentives or deliberate plans or whether balancing is not happening. By proceeding in this way, each case study evaluates both the structural and soft balancing propositions. The case studies will also seek to verify a number of assumptions which follow from the hypothesis. The purpose of the assumption is to specify the antecedent conditions which will allow reaching a deductive conclusion following the analysis of the empirical material in the case studies.

**Assumption 1**: during the post-Cold War period, unipolarity provided the incentive for European states to create their own security arm. Extrapolating from this, the conclusion may be reached that the EU is in the process of balancing against a unipolar power, the USA. The disappearance of the Soviet threat and the advent of unipolarity help to explain why European states created CSFP, while the inadequate response to the War in Bosnia helps to explain why ESDP was created (structural balancing). The creation and subsequent operations of ESDP leads to the conclusion that the EU is in the process of differentiating itself from NATO and is adopting a form of limited arms build-up to counterbalance an increasingly threatening unipolar power (soft balancing).
**Assumption 2:** unipolarity is the key factor when it comes to understanding why, during the post-Cold War period, the EU sought to exert greater influence in the Israeli-Palestinian conflict. The EU made efforts to maintain positive relations with Israel while simultaneously providing financial aid to the PA, and this was as a means to accumulate political influence in the conflict and to undermine America’s primacy as the peace-broker within the process (structural balancing). The EU sought to weaken the diplomatic influence of the USA by defying its policies within the Quartet for Peace (soft balancing).

**Assumption 3:** unipolarity is useful when it comes to understanding why the EU emerged as a powerful economic actor in the post-Cold War era (structural balancing). Following President GW Bush’s decision to raise the steel tariffs in 2002, the EU deliberately undermined Bush’s chances of winning a second mandate in 2004 by entangling the USA within the WTO’s machinations (soft balancing).

### 2.5 CONCLUSION

Tackling transatlantic relations from a neorealist perspective under conditions of unipolarity has proved to be a major challenge to IR scholars. Studies acknowledging the birth and consolidation of unipolarity as well as studies seeking to explain the ‘warm peace’ in Europe in the post-Cold War period abound. This study offers a contribution to the on-going debate within balance of power theory on whether the EU, as a great power on its own, has balanced against the USA in the post-Cold War period in the military, diplomatic and economic power dimensions. In fact, by approaching the EU from a defensive realist perspective it is possible to appreciate whether it has undertaken to balance US hyperpower in the post-Cold War security system.
In line with balance of power theory, the framework introduced in this chapter started from the assumption that the world became unipolar in the aftermath of the Cold War. As a matter of fact, this is largely accepted by scholars writing from a neorealist perspective. It then discussed whether balancing is (or not) possible under unipolarity and three alternative explanations were teased out. Neorealist scholars remain divided as to whether balancing against the unipolar power can or cannot happen. The three answers neorealist scholars provided were (a) the structural which assumes that the USA will eventually be balanced and that unipolarity would not last for a long time (b) the soft balancing, expecting that second-tier states seek to delay the power of the unipolar leader with alternative means to military ones when they perceive its leadership as aggressive and unilateral and (c) the alternative structural explanation according to which balancing is not going to happen against the unipolar power anytime soon. The analytical framework then took into account the problem of explaining peace within Europe in order to be able to conceive of the EU as a great power. Specifically, it singled out the defensive realist position, which brings the actor’s motivations in the analysis towards explaining why peace came to reign in the European continent in the post-Cold War era. The following chapters will provide a test of the neorealist and soft balancing propositions to case studies involving different dimensions of power within transatlantic relations in the post-Cold War period.
CHAPTER 3

FROM CSFP TO ESDP: ATTEMPTING TO BALANCE THE USA OR SEEKING
AUTONOMY UNDER UNIPOLARITY?

3.1 INTRODUCTION

This chapter critically evaluates neorealism’s propositions of structural and soft balancing through a case study referring to the attempt made by the EU to develop a common security arm from 1991 to 2003. This study serves two main purposes. Firstly, it aims to analyse how European states managed to create the foundation for cooperation in the absence of a Soviet threat. Secondly, it proposes to investigate the extent to which the creation of ESDP and the subsequent and timely deployment of missions Concordia and Artemis in 2003 was a response by the EU to the unipolar power constellation or a deliberate attempt to undermine NATO’s superiority in European security affairs.

This chapter develops the following arguments. Firstly, the desire by the European countries to bring their defence project forward with renewed vigour can be understood as a novelty of the post-Cold War period. The main motif behind the choice of pursuing a more robust integration in defence is seen as a consequence of the structural change in the aftermath of the Cold War which led to the advent of unipolarity. The creation of CSFP in 1992 along with the debate on ESDI and the creation of a European pillar within NATO (1991-1996) can be interpreted as consequences of unipolarity in the sense that European countries addressed the issue of the likelihood of American disengagement from their territory. In light of this, it could be expected that unipolarity would further lead to the possibility that the EU might
engage in balancing against the USA. The Yugoslavian civil wars provided an opportunity for the EU to prove that its new foreign policy machinery could work effectively but the Bosnian and Kosovo campaigns finally led to a reinforcement of NATO. Subsequently, the outcome of the Balkan wars gave rise to a watershed within transatlantic relations. Secondly, this chapter contends that the creation of ESDP and its ensuing fast development cannot be fully and satisfactorily explained neither by the neorealist nor the soft balancing propositions. In fact, this chapter contends that the creation of ESDP was a foreign policy choice of EU member states who were seeking for autonomy in light of their greater freedom under unipolarity. Interview evidence is used to describe how the EU gradually came to declare ESDP operational and the effect this had on transatlantic relations. This evidence shows that the creation of ESDP was not a move in order to check US military advantage and it was not an attempt to thwart and hold back US power. Rather, it was an endeavour to respond to a US decision to disengage from European security affairs taking the modified geo-political landscape into account. As the Concordia and Artemis missions show, the EU projected its power in areas where NATO did not either want to be involved anymore (Macedonia) or was not involved at all (Congo). This claim is backed up by the fact that the EU launched its missions at a time when relations between the USA and the EU were under considerable strain at a diplomatic level due to the US led invasion of Iraq in 2003. Therefore, as this chapter points out, ESDP and NATO ended up complementing each other. Unipolarity has provided the space in which the EU could potentially balance against the USA but the formation of ESDP ultimately led to the establishment of a pattern of increased cooperation and not competition with the USA.

In order to advance these arguments the chapter is divided into four sections. The first section outlines the military dimension of unipolarity in arguing that the USA became the greatest
military power in the post-Cold War period. Under such circumstances the USA, freed from the ropes of bipolarity, aimed at (a) making sure no rivals would emerge within the international system and (b) sought to project its military power at a global level. The second section explores the neorealist contention that the absence of a common Soviet threat, the onset of unipolarity and the expected waning of the US commitment to the defence of the European territory would lead the EU to engage in hard balancing against the USA. The third section presents empirical evidence with regard to ESDP missions Concordia and Artemis in inspecting the allegation that the EU deliberately set ESDP in motion to frustrate US power. The concluding section argues that the neorealist propositions of structural and soft balancing under unipolarity do not fully capture the gradual process involving the EU’s striving to raise its military standing in the post-Cold War period. The chapter reveals that the rise of unipolarity at a global level can be seen as a useful factor towards explaining the EU’s will to create ESDP and to differentiate itself from NATO. However, the EU did not direct ESDP towards areas of competition with the USA and cannot be seen as a military response to unipolarity.

3.2 THE USA AND UNIPOLARITY: THE MILITARY DIMENSION AND POWER PROJECTION

Having defined the three indicators which inform the concept of unipolarity (military, diplomatic and economic) in Chapter 2, this section undertakes to provide an analysis of the military dimension of unipolarity in the post-Cold War period. This objective is pursued by analysing the trend in US military expenditure and power projection in the post-Cold War era. With the abrupt structural change of the distribution of power within the international system after the fall of the Berlin Wall, the USA emerged as the most powerful military state
(Ferguson, 2004). This was the case for at least three reasons. Firstly, the end of the Cold War and the dissolution of the USSR left the USA unchallenged and without an incumbent threat to deal with on a global scale (Cottey, 2007). Secondly, the USA immediately exploited the opportunity to expand its military power projection by gaining military access to key regions throughout the Persian Gulf after the 1991 Gulf War. The latter, as Brzezinski (2005: 11) notes, ‘led to renewed public confidence in America’s unique power’. As a matter of fact, the invasion of Iraq in 1991 could have not happened under bipolarity because the USSR would have surely protected its client state (Dobbins, 2008; Waltz, 2009). Thirdly, all major powers, with the partial exception of China, reduced their defence spending in the immediate aftermath of the Cold War (Walt, 2005).

That said, the USA also responded to the end of the Cold War by reducing its defence budget ‘by some 38 per cent’, its force structure ‘by 33 per cent’, its procurement programs by ‘63 per cent’ (Cohen, 1997: 8). The USA was nonetheless able to maintain a position of primacy as far as military power is concerned (Posen, 2003). Its force reduction was in fact modest compared to the levels of the Cold War era (Walt, 2005). With the disappearance of the Soviet threat, it was also expected that the American military presence in Europe would wane. As Cohen (2000: 40) argues, it effectively did so by shrinking ‘to something like a third of its late Cold War size – down to roughly 100,000 troops’. This arguably meant that the territory of Europe would no longer be as strategically crucial to the USA as it had been during the Cold War (Gaddis, 1982). Nevertheless, under unipolarity the USA did not revert to 19th century isolationism. As a matter of choice, the USA remained deeply engaged within the international system. In particular, the USA was keen on making sure no other global rivals would emerge within the international system and on perpetuating its unipolar moment (Jervis, 1993). Indeed, the goal of maintaining American primacy has been a clear goal of
every US administration since the end of the Cold War (Petras and Morley, 2000). For example, the Pentagon’s DGP for the Fiscal Years 1994-99 clearly emphasised that the USA was concerned with curbing the rise of a peer competitor of the same size and magnitude of the USSR in the post-Cold War period. Precisely, as stated in the DGP ‘our first objective is to prevent the emergence of a new rival, either on the territory of the former Soviet Union or elsewhere, that poses a threat on the order posed by the Soviet Union’ (quoted in Jervis, 1993: 53). The DGP still emphasised that a threat-based logic would remain the hallmark of US defence planning in the early 1990s but it did not contain references to any specific country in any part of the world (Tyler, 1992). Interestingly, as Petras and Morley (2000: 53) stress, the DGP was also quite explicit ‘regarding the need to avoid the development of any European security organization that could supplant NATO, thereby profoundly diminishing Washington’s authority over the continent’. After the 9/11 terrorist attacks in New York, the NSS of the USA (2002) stressed how the latter was, by virtue of its position of primacy, still committed to deterring the rise of potential rivals; ‘today, the United States enjoys a position of unparalleled military strength and great economic and political influence…defending our Nation against its enemies is the first and fundamental commitment of the Federal Government’. Again, in the NSS of 2006 such concept was reiterated with the words ‘we fight our enemies abroad instead of waiting for them to arrive in our country…We seek to shape the world, not merely be shaped by it; to influence events for the better instead of being at their mercy’.

In terms of military expenditure, by observing the data in table 3.1, which refer to US military expenditure in 1992, 1999 and 2002, it is possible to notice that a trend of decreasing military forces effectively took place over the 1990s. In fact, US military spending in 1992
(approximately $305 million) was higher than in 1999 (approximately $281 million). Nevertheless, by 2002 it had increased again with approximately $357 million.

**Table 3.1 US military expenditure in 1992, 1999 and 2002**

<table>
<thead>
<tr>
<th>Year</th>
<th>Local currency in millions of dollars</th>
<th>US$m. (at constant 2005 prices and exchange rate)</th>
<th>In percentage of gross domestic product (GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>305,141.0</td>
<td>424,699.0</td>
<td>4.8</td>
</tr>
<tr>
<td>1999</td>
<td>280,969.0</td>
<td>329,416.0</td>
<td>3.0</td>
</tr>
<tr>
<td>2002</td>
<td>356,720.0</td>
<td>387,297.0</td>
<td>3.4</td>
</tr>
</tbody>
</table>


Despite a partial decrease in US defence spending from 1992 to 1999, US military expenditure has been on the rise since 2000. Figure 3.1 shows that the USA has increased its military expenditure from about $400 billion dollars in 2000 to $700 billion in 2008/09. The figure presents military expenditure in Constant GY 09 dollars.
As Barry Posen (2003: 8) highlights in his article ‘Command of the Commons’ which regards a discussion of US military power, the USA has reached ‘command of the global commons’, these being sea, space and air as areas that do not belong to any state and that ‘provide access to much of the globe’. Moreover, as Posen (2003: 19) stresses, US Command of the Commons is the result of ‘a Cold War legacy of both capabilities and bases, married to the disparity in overall economic power between the United States and its potential challengers.'
This disparity permits the United States to sustain a level of defence expenditure that dwarfs the spending of any of the world’s other consequential powers’. Accordingly, as Posen (2003: 10) continues, ‘with 3.5 per cent of U.S. gross domestic product devoted to defence…the U.S. military can undertake larger projects than any other military in the world’ (Ikenberry et al. 2009). In fact, following the 9/11 terrorist attacks in New York the USA was still capable of sustaining a military expense/GDP ratio among the lowest in its history, especially lower than the one sustained during the Korean War and over the entire Cold War period (Parsi, 2006; Walt, 2009). The crucial issue is that the USA is virtually able to deploy its military power globally and can do this by spending a smaller fraction of its national income on defence than it did throughout the Cold War (Budget of the United States Government, 2005). In fact, the US spent 9.3 per cent of its GDP in 1960, 8.1 per cent in 1970, and 5.2 per cent in 1990. In 2005, it ‘merely’ spent 3.7 per cent of its GDP on defence (Budget of the United States Government 2005, p. 46). Walt (2005: 34) adds on to this by arguing that the U.S. Department of Defence ‘now spends over $50 billion annually for research, development, testing, and evaluation, an amount larger than the entire defence budget of Germany, Great Britain, France, Russia, Japan, or China’. Moreover, as Howorth (2007: 93) highlights, the USA spends ‘more than the next 15 military powers combined’, its navy is ‘larger than the rest of the world’s navies combined’, its ‘mastery of real-time digitized warfare is relatively absolute’. It is also important to remember, to draw on Romano’s contribution, that the technological improvement of the USA backed up by sustained economic growth during the 1990s generated ‘new policies’ (2003: 32). These included anti-missile defence, a project which was decisively undertaken under the Presidency of George W. Bush but that begun under the Presidency of Ronald Reagan. Romano lays stress on the fact that anti-missile defence would render the USA military invincible (Romano, 2003). This proposal, which implied the need to ‘deploy ten mid-course interceptors in Poland and a
narrow-beam X-band radar in the Czech Republic by 2011-13’ which was made in 2002 has undoubtedly set off a major controversy (Slocombe, 2008: 19). To some Europeans the project indeed looked like one more exemplification of American unilateralism and scarce sensitivity to European preferences for multilateralism (Slocombe, 2008). Nonetheless, this only remains a hypothesis as debates are open whether anti-missile defence will work or not. Of particular note is also the fact that NATO’s enlargement in the post-Cold War period has provided the USA with access ‘to additional bases in eastern and southern Europe’, which provide important ‘stepping-stones around the world’ (Posen, 2003: 17). These bases, as argued by Posen (2003: 17), allowed the USA to attack ‘Iraq successfully in 2003, despite the unwillingness of long-time NATO ally Turkey to permit the use of its territory to add a northern thrust to the effort’ (Posen 2003, p. 17).

As compared with the USA, the defence expenditure of EU’s great powers such as France and the UK over the same period (1992, 1999 and 2002) highlights a huge difference as far as military spending is concerned (Stockholm International Peace Research Institute, 2009). I consider France and the UK here and not Germany as it was expected that the latter would not increase its military power in the post-Cold War period for historical reasons (Lindley-French, 2002). The data on British and French defence spending is represented in table 3.2 and table 3.3.
Table 3.2 UK military expenditure in 1992, 1999 and 2002

<table>
<thead>
<tr>
<th>Year</th>
<th>Local currency in millions of pounds</th>
<th>US$m. (at constant 2005 prices and exchange rate)</th>
<th>In percentage of gross domestic product (GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>23,233</td>
<td>58,560</td>
<td>3.8</td>
</tr>
<tr>
<td>1999</td>
<td>22,530</td>
<td>47,542</td>
<td>2.4</td>
</tr>
<tr>
<td>2002</td>
<td>26,462</td>
<td>52,423</td>
<td>2.5</td>
</tr>
</tbody>
</table>


Table 3.3 France’s military expenditure in 1992, 1999 and 2002

<table>
<thead>
<tr>
<th>Year</th>
<th>Local currency in millions of Euros</th>
<th>US$m. (at constant 2005 prices and exchange rate)</th>
<th>In percentage of gross domestic product (GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>36,416</td>
<td>55,869</td>
<td>3.3</td>
</tr>
<tr>
<td>1999</td>
<td>36,510</td>
<td>50,787</td>
<td>2.7</td>
</tr>
<tr>
<td>2002</td>
<td>38,681</td>
<td>51,063</td>
<td>2.5</td>
</tr>
</tbody>
</table>


To sum up, the post-Cold War unipolar scenario was one in which (a) the Soviet threat was clearly gone, (b) the European territory was no longer as strategically important to the USA, and (c) US defence expenditure remained the highest. Under such circumstances, the USA projected its immense power at a global level. Power projection is defined here as ‘the finite application of military power by national command authority to achieve discrete political ends outside the borders of the USA’ (Hagan, 1991: 350).
In 1996 the American Congress requested a first QDR in order to analyse strategic objectives and potential military threats in the absence of a Soviet threat and of a global competitor to the USA. The USA considered scenarios in which its military power could be deployed in order to safeguard US strategic interests (Cohen, 2000). The QDR followed a path that led from ‘threat, to strategy, to implementation, and finally to resource issues’ (Cohen, 1997: 8). Published in 1997, the QDR stressed the need for US forces to be able to fight and win ‘two major wars simultaneously’. Specifically, the aim was to project military power in order to win possible wars against North Korea and Iraq (CRS Report for Congress, 2001). These were seen as regional powers capable of initiating simultaneous conflicts and would therefore require US military intervention (QDR, 1997). To quote the QDR, ‘in order to project American interests around the globe, U.S. forces must continue to be able to overmatch the military power of regional states with interests hostile to our own’ (QDR, 1997). At the same time the QDR acknowledged that the global security environment was ‘dynamic and uncertain…replete with both opportunities and challenges’ but it also stressed that the world remained a ‘dangerous and highly uncertain place’. The main dangers to US security were identified in the Middle East (Iran and Iraq), Southeast Asia (North Korea) and in other areas where failed or failing states were present such as Somalia and former Yugoslavia; the US homeland was also seen as not entirely free from external threats. Very importantly, the USA was keen on ‘ensuring peace and stability in regions where the United States has vital or important interests and to broadening the community of free-market democracies. Strengthening and adopting alliances and coalitions that serve to protect shared interests and values are the most effective ways to accomplish these ends’ (QDR, 1997).

In the aftermath of the 9/11 terrorist attacks in New York the structure of the international system was not altered; what neorealist thinkers such as Walt (2000/01) argued was that 9/11
would provoke a change in US foreign policy. The new QDR was published in this era of transition, precisely on September 30th 2001 (QDR, 2001). Especially, with the QDR review in 2001 there was a shift from a threat based approach to a ‘capabilities-based model’ for the future, despite some scholars believe strategic threat was still one of the main drivers of the QDR in 2001 (Lindley-French, 2002; QDR, 2001: 4). As noted above, the USA began to increase its defence spending in 1997 in a dramatic and decisive way. In so doing, it also increased its power projection potential. Following the QDR of 2001 the US global military posture would be reoriented towards developing ‘a basing system that provides greater flexibility for U.S. forces in critical areas of the world, placing emphasis on additional bases and stations beyond Western Europe and Northeast Asia’, maintain its critical bases in these parts of the world, which ‘may also serve the additional role of hubs for power projection in future contingencies in other areas of the world’ (QDR, 2001: 27). In terms of future challenges, the QDR stated that ‘while the United States cannot predict with confidence which adversaries will pose threats in the future, the types of military capabilities that will be used to challenge U.S. interests and U.S. military forces can be identified and understood. As in the September terror attacks in New York and Washington, future adversaries will seek to avoid U.S. strengths and attack U.S. vulnerabilities, using asymmetric approaches such as terrorism, information operations, and ballistic and cruise missile attacks’ (QDR, 2001: 62). Furthermore, a study by the American Congress in 2004 highlights how the USA gradually cut its military presence in Europe but not in East Asia and the Pacific. This is highlighted in figure 3.2.
However, as figure 3.3 shows, Europe continues to have the highest number of US military personnel in its territory, particularly in the UK, Germany and Italy. The next biggest American contingents are stationed in East Asia, particularly in Japan and South Korea. As figure 3.3 further shows, the remainder of the majority of US forces based overseas have been stationed in Latin America and the Caribbean (Congressional Budget Office, 2004).
The USA was able to project its military power globally in the aftermath of the Cold War by means of its advantage in technology and resources (Krepinevich, 2009). The rest of the chapter will investigate the validity of neorealist and soft balancing assumptions in assessing whether the EU has contributed to erode the advantages the US military has enjoyed in the post-Cold War era.

3.3 THE EURO-AMERICAN SECURITY BARGAIN FROM 1991 TO 1998

3.3.1 Negotiating the creation of a European pillar within NATO

This section analyses the early negotiations for the integration of foreign and defence policies among European countries in the post-Cold War era. Specifically, the creation of ESDI is considered as this was a timely possibility for European countries to play a greater role within NATO. The divisions which emerged among those who were in favour and those who were against an authentic role for ESDI set the scene for the difficult development of a genuine European defence capability. In fact, such divisions would obstruct the creation of an autonomous European defence pillar in the years to come but they are also indicative of the specific trend defence negotiations would follow across the Atlantic.

European security had been the exclusive domain of NATO under the structural condition of bipolarity and the American strategy of nuclear deterrence had freed the Europeans from having to invest in defence to curb a potential Soviet attack (Kapstein, 2002). How transatlantic relations would develop under unipolarity and with the expected waning of US commitment to the defence of Europe would serve as a test of endurance in a modified geopolitical environment and altered power constellation. With the signing of the Maastricht Treaty on February 7, 1992 the EU accelerated discussions including the possibility to create capabilities to conduct foreign policy in order to include a unique defence dimension to the EU in the future (Hunter, 2002). Specifically, as Title 1, Common Provisions, Article B of the Maastricht Treaty stresses: ‘The Union shall set itself the following objectives…to assert its identity on the international scene, in particular through the implementation of a common foreign and security policy including the eventual framing of a common defence policy,
which might in time lead to common defence’. This entailed the decision to move beyond EPC introduced in 1970 (Flockhart and Rees, 1998; Smith, M.H., 1996). The Maastricht Treaty also provided the possibility that the WEU, acting as the defence arm of CSFP, would merge into the EU, thus resolving the deadlock created by the Brussels Treaty of 1954 and the autonomy of the WEU. Furthermore, as White (1999: 45) reminds us, ‘in order to encourage more coherence, consistency and continuity in ‘external policy’, the Maastricht Treaty introduced a ‘common institutional framework’ with the Commission, the GAC and the COREPER to be held jointly responsible for decisions within all three pillars’. The intergovernmental nature of CSFP meant that decisions regarding such policy would only be taken by unanimity and that the influence of other EU institutions such as the EP and the ECJ would be low (Flockhart and Rees, 1998). Subsequently, it was necessary to be cautious when speaking about the formation of the EU as a fully-fledged international actor (Allen, 1998; Smith, M.H. 1996; Hoffmann, 2000).

Along with the Maastricht Treaty, the WEU issued a declaration in December 1991 which emphasised the need to ‘develop a genuine European Security and defence identity and a greater European responsibility on defence matters’ (Webber, 2003; WEU, 1991). In the NATO alliance’s new strategic concept released in November 1991 which followed the ‘London Declaration on a transformed North Atlantic Alliance’ during 5-6 July 1990 (NATO’s first strategy in the aftermath of the Cold War) the creation of a European pillar was welcomed (NATO, 2000; Keulman, 2006). As Webber (2003b: 26) notes, through this new strategic concept NATO maintained ‘defence and deterrence as core missions, but pointed to a thoroughly revised policy agenda owing to the emergence of new security challenges and risks of a political and, economic, social and environmental nature’. The 1991 NATO strategic concept contested the issue whether NATO’s role should be global or
regional in the altered post-Cold War security system. Subsequently, NATO moved towards including the ESDI concept ‘which sanctioned the framework for combined joint task forces, coalitions of the willing for military security provision’ (Deighton, 2002: 724). As former Secretary General of NATO Lord Robertson (2001: 795) has pointed out, the UK signed to build up ESDI to meet the challenges arising from the necessity of fairer burden sharing together with a ‘rebalancing of roles and responsibilities between Europe and North America’ in the post-Cold War era.

The European pillar would for that reason potentially draw upon NATO military capabilities that could be separable but not separate from the alliance and would be looked over by the WEU (Hunter, 2002; Howorth, 2007). These would be available to help the WEU undertake the so-called Petersberg tasks, which were explicitly included in the treaty and allow it to cover humanitarian and rescue tasks, peacekeeping tasks, tasks of combat forces in crisis management, including peacemaking. These tasks were set out in the Petersberg declaration which was adopted at the ministerial council of the WEU in June 1992 following a meeting in Petersberg (near Bonn). In particular, the WEU declaration in June 1992 stated ‘WEU member states declare they are prepared to make available military units from the whole spectrum of their conventional armed forces for military tasks conducted under the authority of the WEU...apart from contributing to the common defence in accordance with Article 5 of the Washington treaty and article 5 of the modified Brussels treaty respectively, military units of WEU member states, acting under the authority of WEU, could be deployed for: humanitarian and rescue tasks, peacekeeping tasks, tasks of combat forces in crisis management, including peacemaking’ (WEU, 1992). The Petersberg tasks, as Howorth (2007: 98) argues, ‘implied radical transformation of the EU’s existing capacity to provide deployable, professional intervention forces geared to out of area crisis management’.
Despite these developments and important commitments, negotiations on what role ESDI should play in NATO did not run smoothly. As a matter of fact, Germany and France favoured ESDI whereas the UK was against it (Keulmann, 2006). Germany and France advocated a more independent role for ESDI but the UK was generally against any initiative that could potentially undermine NATO’s supremacy (Wivel, 2008). For instance, as Biscop (2004: 3) argues, ‘in October 1991…the United Kingdom, the Netherlands and Portugal vetoed WEU involvement on the grounds that military operations should remain the exclusive competence of NATO’. It became clear from the outset that ‘EU defence does not work without the UK but does not work with the UK’ (Interview 7). The USA’s position was in line with the British one (Peters, 2004). In fact, the USA welcomed ESDI from the very beginning but was reluctant to back any initiative that could likely undermine the supremacy of NATO (Smith, M.H., 2008). On the one side WEU states wanted a capacity to take military actions if and when NATO as a whole was not involved. On the other side, the USA were concerned that few if any European states would provide the resources needed for a fully fledged WEU, in addition to NATO – there were simply not enough resources to create two sets of military forces (Hunter, 2002). On this account, the project of generating a European ‘security and defence identity from inside NATO had proved to be a false start’ (Howorth, 2007: 99). The negotiations held in 1996 created the possibility for the WEU to be able for the first time to become an effective militarily organization (Interview 2). As European allies contemplated what capabilities and assets they lacked and would have to seek from NATO, they found that, in some critical areas – including large transport aircraft, sophisticated intelligence, and satellite-based communications – the primary storehouse of capacity belonged to the USA (Hunter, 2002; Kapstein, 2002). When ESDI took off in 1996, there was a symbolic end to the negotiations between France and NATO (Interview 2, 11). As a matter of fact, at Berlin in 1996, ‘NATO Foreign Ministers decided to build up the ESDI
within the Alliance…this was aimed at enabling the European Allies to make a more coherent and effective contribution to the Alliance missions and activities, to reinforce the transatlantic partnership and to allow Europeans to act themselves if required’ (NATO, 2002).

The negotiations leading to the release of ESDI in 1996 together with the Maastricht Treaty and the formation of CSFP show that the level of agreement on issues regarding security and defence between the EU and the USA was at a very low level in the immediate aftermath of the Cold War (Peters, 2004). Theoretically, unipolarity opened up the possibility that the Europeans could balance against the USA. The USA played an ambiguous role on this matter to some degree. On the one hand, it welcomed more burden-sharing from the Europeans in order to allow them to participate within NATO’s post-Cold War transformation when in fact on the other hand it seemed to reassert its own hegemonic role within the alliance in denying the Europeans the possibility of being their peers (Ghez and Larrabee, 2009). Whereas European countries were now able to carry out missions involving the Petersberg tasks ‘the USA could prevent unintended entanglement in European military activities while still retaining its ultimate veto position within the NATO council’ (Peters, 2004: 391). Therefore, it seemed clear that with the unfolding of unipolarity the Europeans strived to gain their own space in it rather than balance against the USA.

3.3.2 The EU and the Balkan wars: transatlantic tensions in the spotlight

This section is about the outbreak of the Balkan Wars which represented the first challenge to European security in a unipolar world at a time when the Euro-American partners were engaged with negotiations on ESDI (Haine, 2005). The Europeans had the opportunity to show that they were ready to deal with security in their own backyard and thus to realize
American hopes for more burden sharing in the post-Cold War period. NATO’s involvement in Bosnia and Kosovo would represent a watershed within transatlantic relations whose consequences will be analysed in the remaining sections of this chapter.

The wobbly equilibrium of European security was exposed following the break-up of Yugoslavia and the subsequent outbreak of the Balkan wars in Slovenia (June 1991), Croatia (August 1991), Bosnia and Herzegovina (April 1995) (Cviic, 1995). As Cviic (1995: 157) points out, being able to deal with the unravelling of former Yugoslavia was seen by the EU as an opportunity to show ‘the world (not least the USA) that the community was capable of conducting a coherent foreign policy’. The Foreign Minister of Luxembourg Jacques Poos, acting as president of the European Council did not hesitate to declare ‘This is the hour of Europe, not the hour of the Americans. If one problem can be solved by the Europeans, it is the Yugoslav problem’ (quoted in White 2001: 108). European Commission President Jacques Delors echoed Poos by declaring ‘We do not interfere in American affairs. We hope they will have enough respect not to interfere in ours’ (EU Facts, 2008). Again, however, the EU’s willingness to be involved in the Balkan wars did not seem to be driven by a motivation to balance against the USA. In fact, the USA made clear from the very beginning that it would be reluctant to intervene in the Balkan wars, this being noticeable in the words of US Secretary of State James Baker in 1991 ‘We don’t have a dog in this fight’ (quoted in Schweiss, 2006: 86).

The EU was convinced that deploying ‘soft’ instruments (diplomatic mediation and UN sanctions) would contribute to a successful solution of the war in Bosnia and was against a political involvement of NATO (Interview 2). At the European Council, held at Lisbon on 26-27 June 1992, it was asserted ‘The Community and its member states stress again the need
for full application of the sanctions stipulated by the UN Security Council…EC member states will propose that the legally competent body, the UN Security Council take, without delay, all necessary measures for the effective delivery of humanitarian assistance to Sarajevo and neighbouring areas’ (European Council, 1992). Nevertheless, solving the conflict with the only help of ‘soft’ instruments proved to be an illusion (Cviic, 1995). In fact the weaker party, represented by the Moslems and the Croats in Bosnia following the Serbian aggression, considered armed resistance as the only possible way not to surrender against a more powerful enemy.

The USA, following their initial reluctance to getting involved in ex-Yugoslavia, opposed the UN-EU policy embargo and decided to stop the Bosnian Serbs, who were perceived as the aggressors. This strategy, followed by the Americans in order to cope with the crisis, is known as ‘lift and strike’ (Lundestad, 2003: 251). In particular, ‘lift’ referred to the US negative stance on the UN-EU policy of weapons embargo and strike referred to the possibility of intervening militarily against the Bosnian Serbs. As the Serbs took UN peacekeeping troops hostage and overran the safe areas of Srebrenica which was under Dutch UN protection and ‘massacred 7,000 unarmed Muslims men who had been sheltering there – the largest war crime in Europe since WWII’, Washington decided to start bombing Bosnian Serb positions as part of ‘the largest military action in NATO history’ through ‘Operation Deliberate Force’ (Cottey, 2007: 131; Lundestad, 2003: 251). The USA, which could now count on increasing levels of support from the UK and even France, which realized that ‘confronting these challenges required more engagement with the United States and NATO, not less’, took over the leadership in Bosnia (Ghez and Larrabee 2009, p. 79). In so doing, the Bosnian Serbs were forced to withdraw from the territory they had occupied during the war and were compelled to sit at the negotiating table (Cottey, 2007).
The final outcome, ‘under strong US leadership’, was a diplomatic solution found in Dayton, Ohio (Lundestad, 2003: 251). Bosnia was to remain one country, but the Croats and Muslims ‘were to have very substantial autonomy’ (Cotney, 1998: 46). The agreement, as Cotney argues (1998: 46) also mandated the deployment of ‘a nearly 60000 strong NATO-led peace implementation force’. Dayton represented a watershed in the balance of power in the Balkans and within transatlantic relations. Following Gow (1998: 168), the success Dayton brought about in terms of ceasefire has got two important aspects: ‘the first was the role international, particularly US, pressure (including military action) had played in bringing the conflict to a close. The second was recognition that only continued international engagement would secure the terms agreed and turn the peace agreement into a genuine peace’. In other words, it was now quite clear that there would be no issue in the Balkans that would not deserve international attention on the part of the EU, the UN or NATO. It could be stated that the EU decisively failed to intervene in Bosnia but to criticize the EU on this matter would be unduly unfair (Interviews 1, 2). CFSP was supposed to include ‘all questions related to the security of the Union, including the eventual framing of a common defence policy which might in time lead to a common defence’ (Maastricht Treaty of the European Union, 1992; Croci, 2002: 4). The EU was, to draw on Dover’s contribution, ‘unable to formulate the political will to deploy military assets’ through CFSP in response to the Balkan wars (2005: 307).

Only three years later another test arrived for the ability of the EU to speak with a single voice in the international scene and in its own backyard. This was when fighting started in 1998-1999 in Kosovo between the Albanian population of the region and Serbian police and military forces (Cotney, 2007). The developments in Kosovo had not been addressed during the Dayton process in 1995 and took a turn for the worse in 1998 and 1999. In fact, the Serbs
committed new atrocities in Kosovo and the Serbian President Milosevic did not welcome a political solution which had been proposed to him at Rambouillet in February 1999. NATO launched Operation Allied Force against Serbia on 24th March 1999 but Milosevic only capitulated in June after the Serbs had responded by ‘initiating a large-scale offensive against Kosovo’s Albanian population, triggering a massive refugee crisis as 1.5 million Kosovar Albanians fled the Serb offensive’ (Cottey, 2007: 132). It is important to note that in a speech during the Kosovo crisis in April 1999, British Prime Minister Tony Blair stated that U.S. ‘allies are always both relieved and gratified by the (United States’) continuing readiness to shoulder burdens and responsibilities that come with its sole superpower status’ (quoted in Desch, 2007/08: 17). This clearly highlights how Blair was not willing to sacrifice his close ties with Washington to back France and its wishes for a stronger European defense policy.

Operation Allied Force demonstrated that NATO’s ability and even renewed willingness to engage in a large-scale coercive collective security action – that is to operate outside the borders of its member states in a non-collective defense role – in accordance with its new security concept (NATO, 2000; Webber, 2009). As Forsberg and Herd (2006: 8) argue, ‘the decision to intervene was difficult to agree upon, as it occurred without a UN mandate and thus was illegal under international law. Notwithstanding this, it was regarded as necessary, legitimate and justified by a humanitarian rationale (reinforced by the failure to prevent the 1995 Srebrenica massacre) and almost all NATO members (with the partial exception of Greece) and states in the immediate region supported it’.

With the American intervention in Kosovo, the Europeans now resented the fact that planning and targeting in order to carry out the mission had been dominated by the Americans (Missiroli and Quille, 2004; Peters, 2007). As Cornish and Edwards (2001: 588) point out,
the Europeans had to bear with the fact that ‘not only did the US fly 60 per cent of all sorties and 80 per cent of strike sorties, they also provided crucial intelligence, communications and capabilities’. The US could also count on crucial military equipment placed in Germany and the Europeans did not have any autonomous satellite intelligence technology (Ghez and Larrabee, 2009). To summarize, the 1999 brief campaign in Kosovo unequivocally showed that, as compared with the US military, Europeans forces could hope to do little more than play a ‘facilitating or back-up role’ (Gowan, 2008; Howorth, 2007). Alternatively, the Kosovo crisis showed that the Europeans, in light of their frustration for relying solely on the American pacifier, had to make another and more substantial effort to improve their military capabilities in order to deal with conflicts, at least those erupting in their own backyard. As the European territory was arguably no longer strategically important to the USA in the same way as during the Cold War, ‘US misgivings over European integration became more nuanced’ (Haine, 2005). As Hunter (2002) reminds us, it is in fact mainly since the 1999 Kosovo crisis that European leaders acknowledged that their military capabilities were too weak as compared with the American ones. Furthermore, to draw on Heisbourg’s contribution the Kosovo factor provoked a sense of urgency ‘born from the inescapable and rather sad spectacle of Europe’s inability to be more than a minority contributor in the implementation of the Atlantic Alliance’s air campaign during March-June 1999’ (2000: 15). This is also captured by Gedmin (1999: 24) when he argues that the rift caused by the Kosovo war in 1999 provoked a time of reckoning by the EU states for whom time had come to define themselves ‘as a political counterweight to the United States’. The crisis in the Balkans and the intergovernmental nature of CSFP exposed the fact that the EU was still all reliant on NATO for hard security purposes (Interviews 6, 12, 17). Whether these developments would trigger a balancing response by the EU was yet to be determined.
3.4 ESDP: CHALLENGING NATO'S SUPERIORITY?

3.4.1 ‘From Nothing to Something’? The St. Malo declaration, the American response and the creation of ESDP institutions

This section overviews the creation of ESDP and covers the period from the St. Malo declaration in 1998 to the creation of ESDP institutions in 2000. This is done in order to contextualize the discussion regarding the beginning of a new military dimension for the EU and its relations with NATO.

Quoting the words of an official at the European Council, ESDP came ‘from nothing to something’ (Interview 1). Taking place in 1998, the St. Malo declaration by British Prime Minister Tony Blair and French President Jacques Chirac can be seen as revolutionary in terms of EU integration on matters regarding security and defence (Howorth, 2001; 2007). The St. Malo declaration significantly stated ‘the European Union needs to be in a position to play its full role on the international stage…to this end, the Union must have the capacity for autonomous action, backed by credible military forces, the means to decide to use them, and a readiness to do so, in order to respond to international crises’ (Foreign and Commonwealth Office, 2002; Franco-British Summit, 1998). As Howorth (2007: 102) has argued, France and the UK took a joint decision to move the European defence debate forward by breaking ‘the log-jam that ESDI had been unable to shift’. France and the UK seemed to challenge the idea that NATO (US) would be the only game in town (Peters, 2004). In so doing, they promised the creation of an alternative military pole within the transatlantic alliance (Smith, M.H., 2008).
At first, the USA was very concerned about the possibility that ESDP might contribute to undermine NATO’s supremacy. US Secretary of State Madeleine Albright clearly outlined what the American position on ESDP was by pointing out ‘our…task is working together to develop a European Security and Defence Identity, or ESDI, within the Alliance (NATO), which the United States has strongly endorsed. We enthusiastically support any measures that enhance European capabilities. The United States welcomes a more capable European partner, with modern, flexible military forces capable of putting out fires in Europe’s own backyard and working with us through the Alliance to defend our common interests. The key to a successful initiative is to focus on practical military capabilities. Any initiative must avoid pre-empting Alliance decision-making by de-linking ESDI from NATO, avoid duplicating existing efforts, and avoid discrimination against non-EU members’ (quoted in Smith, M.H., 2008: 248). With the Clinton administration being ambivalent and Congress being ‘outright sceptical’ the USA favoured ESDP as being in line with the process of European integration and increased European commitment to paying for its own defence. Nonetheless it had to be clear that ESDP should not ‘break the supremacy of NATO’ (Lundestad, 2003: 261; Hunter, 2002).

Following the St. Malo declaration and the initial American response, the national governments of EU member states were the sole responsible parties for the creation of defence institutions to make ESDP operational (Dover, 2007). At the meeting of the European Council in Cologne in 1999 ESDP institutions were set up under the strong influence of the German presidency (European Council, 1999; Howorth, 2001). In particular, the Cologne Council announced the EU’s absorption of the WEU pending ‘necessary decisions to be taken by the end of the year 2000’ (Menon, 2009; Webber, 2003: 163). Secondly, the European Council in Cologne agreed on the creation of separate bodies through
which member states’ governments would have regular meetings. Precisely, these were the PSC, the EUMC and the MS (Dover, 2007). Moreover, Javier Solana was appointed as the HR for the CSFP, a post created by the Amsterdam treaty (Crowe, 2003).

The PSC, based in Brussels, is formed by national representatives at senior official/ambassadorial level. Specifically, the duty of the PSC is to ‘keep track of the international situation in the areas falling within the common foreign and security policy, help define policies by drawing up ‘opinions’ for the Council…provide a privileged forum for dialogue on the ESDP with the fifteen and the six as well as with NATO in accordance with arrangements set out in the relevant documents’ (Council of the EU, 2001). The PSC is also responsible for providing guidance to the MC. Before being made permanent at the Nice European Council in December 2000, this body had traditionally met monthly with a view to coordinating foreign and security policy at senior MFA level. The MC consists, in turn, of member governments, chiefs of defence staffs as represented by their military delegates and only at the most senior level in case of necessity (Council of the EU, 2001). Its functions are military consultations and to make recommendations for the PSC as well as ensuring the military direction of all EU related activities (European Council, 1999). Moreover, as the treaty of Nice (2003) states, ‘a Political and Security Committee shall monitor the international situation in the areas covered by the common foreign and security policy and contribute to the definition of policies by delivering opinions to the Council at the request of the Council or on its own initiative’. Lastly the MS provides assessments of military situations and also strategic planning service within the framework of the Petersberg tasks including the identification of appropriate forces (European Council, 1999). The link between the MS and NATO is clearly noticeable as EU documents state that the MS ‘establishes permanent relations with NATO according to EU/NATO Permanent arrangements’ (Council
of the EU, 2005). The last institution which was created prior to the Cologne summit in 1999 was the Council Secretariat which involved some 2,500 officials from across the EU and is responsible for providing support and advice to the European Council. This dates back to the Single European Act signed in 1986 which declared ‘a Secretariat based in Brussels shall assist the Presidency in preparing and implementing the activities of European Political Cooperation and in administrative matters. It shall carry out its duties under the authority of the Presidency’ (Single European Act, 1987: II Art. 6 g). However, as Howorth (2007: 64) asserts, ‘it was felt necessary to establish a permanent secretariat to coordinate the foreign policy implications of the EU’s growing trade and economic relations with the rest of the world’. The European Commission still remains the supranational institution, which is largely responsible for the ‘delivery and implementation of CSFP via the Directorate General for External Relations (Relex) and the Commissioner for External Relations’ (Howorth, 2007: 65; Interview 6).

3.4.2 The military side of ESDP

Having reviewed the formation of ESDP institutions, this section highlights the importance of the military side of ESDP. This is done in order to highlight the extent to which the EU decisively asserted its willingness to deploy ESDP missions and to clarify what would be needed in order to declare ESDP operational.

The EU undertook to provide the availability to deploy military forces as the European Council held in Helsinki on 10-11 December 1999 agreed that member states would cooperate ‘voluntarily in EU-led operations…Member states must be able, by 2003, to deploy within 60 days and sustain for at least 1 year military forces of up to 50,000-60,000 persons
capable of the full range of Petersberg tasks’ (European Council, 1999). As Howorth (2007: 103) points out, the main elements of the force catalogue were to be ‘60,000 troops, 100 ships and 400 aircraft’. At the EU Council meeting in Nice on December 2000, the EU laid out its ambition to make ESDP operational. For example, as stated in an extract from the Presidency conclusions of the European Council in Nice in December 2000 ‘the European Council calls on the next Presidency, together with the Secretary-General/High Representative, to take forward work within the General Affairs Council, in accordance with the tasks assigned in the Presidency report. The objective is that the European Union should quickly be made operational in this area’ (European Council, 2000). Furthermore, in February 2001 during the Swedish rotating Presidency of the EU, the Council of Ministers passed a regulation establishing a rapid reaction mechanism. The European force was now a legal part of the EU (Attina’ and Repucci, 2004). Ultimately, ESDP was declared operational at the Laeken European Council in December 2001 (European Council, 2001). In fact, the Presidency conclusions from Laeken stated that ‘the Union is now capable of conducting some crisis-management operations. The Union is determined to finalise swiftly arrangements with NATO. These will enhance the European Union’s capabilities to carry out crisis-management operations over the whole range of Petersberg tasks’ (European Council, 2001). The EU had to be ready to intervene in its bordering regions by 2003 (Missiroli, 2004; Menon, 2009; Attina’ and Repucci, 2004). Finally, in this period there were also talks for setting up a ‘European Aerospace and Defence Corporation’, which stressed the need for European defence industries to further integrate and develop new capabilities (Smith, M.H., 1996: 291; Interview 19).
3.4.3 Operation Concordia, renewed ESDP-NATO cooperation?

The first ESDP operation, called ‘Concordia’, is considered here a very important test case for the theoretical scheme employed by this thesis. In fact, it was launched immediately after the outbreak of the war in Iraq in March 2003 as relations among the Euro-American partners came under considerable stress (Menon, 2004: 641; Pond, 2003; Sangiovanni, 2003). Concordia also acted as a good test case for the EU’s ability to apply some of the military policy instruments it decided to employ at the Helsinki European Council in 1999. It was also an important test case to prove how the Europeans could effectively handle a crisis.

The European Council in Copenhagen (2002) confirmed ‘the European Union’s readiness to take over the military operation in FYR of Macedonia as soon as possible and in consultation with NATO, and invited the relevant bodies of the EU to finalise work on the overall approach to the operation, including development of military options and relevant plans’. Operation Concordia was a small scale intervention in FYR of Macedonia, where the EU had the opportunity for the first time to make use of ‘CSFP instruments created in the Treaty of Amsterdam in 1999, with SG/HR Javier Solana taking the lead in negotiating the resolution of a crisis on behalf of the EU’ (Gross, 2009: 174). Furthermore, as Felicio (2003) points out, the mission was ‘aimed to symbolize EU’s military capacities, acting as a cornerstone in the development of ESDP’.

The European Council approved the Concordia operation on March 18, 2003 with the mandate to conduct a mission in FYROM under operation headquarters command. Its purpose was to implement the Ohrid Agreements, the overall objective being to stabilise the region as well as the country. The Ohrid Framework agreement was the political accord that
settled the conflict between the Macedonian Slavs and the Albanians (Missiroli, 2003). The EU force had France as the framework nation, totalled 357 lightly armed military personnel, patrolled the ethnic Albanian-populated regions of Macedonia that border Albania, Serbia and Kosovo and had a budget of €6.2 million (Missiroli, 2003; Interview 2).

There are at least two main characteristics with regard to Operation Concordia which need to be exposed. Firstly, as emphasised by Grevi et al. (2003), it constituted the EU’s first-ever military operation. In fact, it took over NATO’s Operation Allied Harmony and the scope was to bring about a stable and more secure environment in FYROM after NATO had dealt with the armed Albanians (Interview 20). Secondly, the EU’s operation in FYROM represented the ‘first test case for the strategic EU-NATO partnership for crisis management’ (Grevi et al., 2003; Larsen, 2008). The common EU-NATO action played an essential role in contributing to end a dangerous internal conflict before it could develop into a full scale civil war (Menon, 2009; Dobbins, 2008). The British Foreign Secretary Jack Straw described Operation Concordia as ‘the start of a new strategic partnership between the EU and NATO’ (Bono, 2003). This view was shared by former NATO Secretary General Lord Robertson who stated ‘as NATO hands over the mission to the European Union, a new chapter in European security has opened. By taking on its first military mission, the EU is demonstrating that its project of a European Security and Defence Policy has come to an age’ (Bono, 2003).

In fact, although Concordia was an EU-led mission, it is important to point out that the Union drew on NATO assets and capabilities. Moreover, the mission in Macedonia showed that cooperation with the USA was still possible and that the EU-NATO agreement could work. Negotiations for the peace agreement were led by both NATO officials, including former
NATO Secretary General Lord Robertson and EU officials including Javier Solana. The EU was still dependent on the USA but the attempt to create its own space was visible, despite full resources to be a credible and fully-fledged security actor still seemed to lack (Sangiovanni, 2003). Concordia was a mission that also showed how multilateralism within ESDP was possible where there had been a previous involvement by NATO. As Bono (2003) stresses, ‘the division of labour between the EU and NATO that is being established through Concordia is not one of equality…Concordia involves close coordination at the political and military levels between the two security organizations. Although the EU’s Political and Security Committee exercises overall political and strategic direction for the operation, under the advice of the European Council, it works closely with NATO. If we look in details at this working relationship, it is apparent that NATO is in overall charge of the operation if the situation on the ground deteriorates. This is because the EU has as yet insufficient military capabilities under the direct command of its Military Staff to engage in peace enforcement type of operations and because there is no full consensus within the EU whether such tasks should become integral to the ESDP’. Because of important differences among Member States in the way ESDP is conceived, it is unclear whether ‘the deepening process in ESDP will be based on the notion of counter-balancing of US power or on alternative concepts of security that seek to rebuild multilateral security frameworks by emphasizing conflict prevention and place strict limits on the use of military force to resolve external conflicts’ (Bono, 2003).

Yet, Operation Concordia also showed its nature as an ad-hoc coalition of the willing with fourteen non EU countries and 13 EU member states participating in it. As Bono (2003) argues, ‘France is the lead nation. EU member states involved in the operation are undertaking low-end peacekeeping tasks and NATO retains its mandate to carry out peace-
enforcement operations’. Operation Concordia demonstrated how a new partnership among different countries from both EU and NATO could work. However, the period in which Concordia took place was also the period in which the rift within transatlantic relations was at its peak because of the US-led invasion of Iraq. Therefore it is no wonder that certain EU member states felt the need to deepen cooperation in ESDP. In the mini-summit in Brussels on 29 April 2003 between the French, German and Belgian governments, they called for other member states to go ahead and reinforce their level of cooperation in the military and security field (Howorth, 2007; Mace, 2003). For instance these proposals were visible in the European Convention’s Draft Treaty for the reform of the EU. The first proposal is to be found in the following statement under the section dealing with CSFP: ‘The Council may entrust the execution of a task, within the Union framework, to a group of Member States in order to maintain the Union’s values and serve its interests…’ (Treaty establishing a Constitution for Europe, 2003). The second provision is included in an article that gives the opportunity to some member states to establish structured cooperation. In that case, it is argued that the Council may ask the Member States participating in such cooperation to carry out tasks as envisaged under the ESDP (Bono, 2003). Lord Robertson (2001: 796) has stressed the importance of mission Concordia for the purpose of more effective and desirable EU-NATO relations following his words ‘the results are more effective diplomacy, more effective crisis prevention, and a more stable south-eastern Europe, although, of course, there is a lot more work to be done. This close co-operation with the EU in turns brings benefits to NATO, as we can show how synergies can be developed to manage crisis more effectively’.

Furthermore, Operation Concordia was important because some EU leaders ‘gained confidence in the ability to handle external crises. It is remarkable that less than six months since the mission was launched, the EU has agreed to undertake another peacekeeping
operation in Congo, Operation Artemis’ (Bono, 2003). On December 15, 2003, after the successful implementation of the Concordia mission in FYROM, another mission called PROXIMA was launched. PROXIMA was the first European police operation. PROXIMA’s main activities fell into three main programmes which were border police, promote public peace and order and fight against organized crime (Butini, 2005). Concordia thus validated the relevance of Petersberg Missions and inter-allied organization. Interestingly, the contributions per Member State show that the EU-NATO partnership may have effectively worked out in the case of Operation Concordia but there is a considerable difference between France’s and the UK’s armed contributions. France contributed 145 lightly armed military personnel whereas the UK contributed 3 (Missiroli, 2003). Perhaps it confirms the fact that France remains the most interested country in showing the effectiveness of ESDP and in pursuing this policy, even in the framework of a renewed ESDP-NATO partnership. As Hyde-Price stresses (2008: 30-31), ‘the EU serves as an instrument for collectively shaping the regional milieu…finally, the EU has come to serve as the institutional repository of the second-order normative concerns of EU member states. These include human rights, abolition of the death penalty, democracy promotion, environmental protection…’ Operation Concordia, from a French perspective, would seem to fit this logic.

3.4.4 Operation Artemis: the EU goes alone?

The second ESDP mission which is considered here and that also took place after the war in Iraq is Operation Artemis. What makes this mission worth looking at, especially in terms of the EU seeking to gain space under unipolarity, is the fact that the mission was deployed without drawing on NATO’s capabilities at a time when EU-NATO partnership had seemed to work effectively in the case of Operation Concordia (Hyde-Price, 2006). Moreover, the EU
deployed military means for a humanitarian crisis in Ituri and not because of an attack on European soil. The situation in Ituri was quite complex as factional fighting in that region had provoked the killing of 50 000 people between 1999 and 2003 and, moreover, 500 000 ‘fled the district to other regions of Congo or to neighbouring states’ (Homan, 2007).

Operation Artemis was launched on 12 June, 2003 with the aim of ‘preventing a large-scale humanitarian and civil crisis in Ituri’, a region in the north-east of the Democratic Republic of Congo (Grevi et al., 2003; Hyde-Price, 2006). The EU launched this mission, its first ever military one, in response to an appeal by the UN Secretary General for an interim ‘emerging multinational force (IEMF) to stabilise the situation in Bunia in the Democratic Republic of Congo’ (Mace, 2003b). As Mace (2003b) asserts, the province of Bunia ‘suffered years of conflict, as fighting between ethnic militias has been exacerbated by the intervention of neighbouring states, Rwanda and Uganda’. Therefore, following Missiroli (2003), the tasks of the multinational force were ‘to protect camps of internally displaced persons, secure the Bunia airport as well as ensure the safety of the civilian population, UN personnel and the wider humanitarian presence’. The Council took a week to approve the Congo operation and a few days later, ‘troops were on the ground’ (Grevi et al., 2003; Missiroli, 2003; Interview 1). Operation Artemis, as Hyde-Price (2006: 5) puts it, came as another important test case for the ‘EU as a strategic actor’.

This military mission showed the extent to which ESDP was not about territorial defence, capability plans and structures (Bailes, 2008). Subsequently, the EU as a security actor cannot be tested from the point of view of territorial defence. As Bailes (2008: 123) highlights, it remains difficult to contend that ‘the EU has chosen its missions on purely principled grounds such as humanitarian need, greatest benefit to the greatest number, greatest conformity with
the principles of the EU Security Strategy and UN Charter, and so on’. Command and control of Artemis were French (Homan, 2007). The French government lobbied for the deployment of Operation Artemis and for a more active EU role in peacekeeping and conflict prevention in Africa, which has indeed been an ‘area of specialization’ for countries like France, which does not want NATO to be involved there (Interview 16). It may not sound surprising to point out that the Interim Emergency Multinational Force encompassed about 1,800 troops, mostly ‘French’ (France provided 1000 of the approximately 1800 troops committed to the mission) and benefited from contingents from other countries (Grevi et al., 2003, Hyde-Price, 2006). France, Belgium, Sweden (70 troops) and the UK (100 men from engineering units) had personnel on the ground (Shepherd, 2006). Other EU countries (Austria, Germany, Greece, Ireland, Netherlands, Portugal and Spain) plus three non-EU countries (Brazil, Canada and South Africa) with two future member states such as Cyprus and Hungary contributed to the mission with equipment and support (Bach, 2008). Nevertheless, the mission was placed ‘in a classic peacekeeping context involving close cooperation with the UN’ (Bailes, 2008: 116). Furthermore, following Mace (2003b), ‘As a military crisis management operation, Artemis received no funding from the Community budget…common costs, amounting to €7 million, will be funded by member states according to a formula based on GDP’.

In the case of the Operation Artemis, France can be seen as the country that has been more concerned with enhancing the creation of an EU military arm to be independent of the USA/NATO. In fact, France agreed to intervene provided the mission would be limited in time and scope and with a mandate from the UN. At this point, French President Chirac also realised this mission could be the ideal case, following Homan (2007), ‘to prove the capacity of the EU to act autonomously from NATO and the operation (originally called by the French
“Operation Mamba”) was renamed Artemis when ‘Europeanised in the context of ESDP’. Nevertheless, the mission did not provide a test for the EU as a security actor for future ESDP military operations. This is because, as Homan (2007) stresses, ‘both operational and force planning were already well underway at a national (French) level, even before the EU actually became involved’. Militarily, the mission even needed aircraft supply from Ukraine; the EDA noticed this lacuna and research for airlift capabilities became one of its priorities despite its budget of €30 million which is not very high considering that EU member states spend well on top of that for defence (Interview 19).

Although this mission was criticized to the extent that the force envisaged would be ‘powerless’ to prevent the massacres that were occurring outside Bunia within the Ituri province, Artemis was the first autonomous EU mission and represented the first case of European military deployment outside the European continent (Menon, 2004: 642). It was also the first example of the ‘peace support operations using coercive military power’ (Hyde-Price, 2006: 5). The ESDP missions ‘remain very limited in scope, and depend heavily on the leadership, commitment and interest of major EU member states’ (Missiroli, 2003).

3.5 CONCLUSION

This chapter tackled the European bid to military autonomy from the USA in the post-Cold War period under structural conditions of unipolarity. The time frame for the analysis was from 1991 to 2003. From the neorealist and soft balancing theoretical propositions outlined in Chapter 2 concerning the possibility that second-tier states would balance the USA in the post-Cold War period we would have expected precise patterns to be followed.
The neorealist structural explanation would have led us to assume European states to balance against the USA under unipolarity in order to address the substantial military disadvantage created by the end of the Cold War. European states would have done so not because of their particular aversion towards the American elites but to respond single-handedly to structural incentives (Waltz, 1993; Layne, 1993). The disintegration of the USSR would have left NATO with no reason to survive and the Europeans, preoccupied with the colossal concentration of military power in the hands of the USA, would have sought to balance against it. Under unipolarity, Europeans could have balanced the USA by strengthening their own capabilities (internal balancing) or by forming an alliance with other states (external balancing) (Waltz, 1979).

The soft balancing explanation would have led us to expect European states to increase defence cooperation as a reaction to the aggressive stance of the unipolar power’s leadership. For the soft balancing explanation to work it would have been necessary to prove that the EU had the intention to reduce American influence over European security by increasing its defence cooperation (Howorth and Menon, 2009). A soft balancing reaction would have not been triggered by the desire to match the relative power of the USA but to respond to the aggressive postures of the American administrations in the post-Cold War era.

The empirical analysis conveyed by this chapter does not provide much grist to both the neorealist and soft balancing explanations. To start with, it can be asserted that unipolarity provided a permissive environment in which the EU would be allowed to pursue greater integration in security and defence. As a result, it could have been possible to forecast that, as a result of its newly autonomous condition, the EU would be at loggerheads with the USA on matters regarding security and defence. This is highlighted by the creation of CSFP as well as
the complex ESDI negotiations. Even the will by the EU to decisively assert its influence in the Balkan Wars with the confidence that the American intervention was not needed testifies to the Europeans’ bid to an autonomous role within transatlantic relations as well as the Europeans’ wish to exploit the possibilities offered by the international system to gain more space. However, the Balkan Wars in Bosnia and Kosovo represented a watershed within transatlantic relations in the sense that the EU was unable to cope with these crises without NATO’s intervention. At the outset the EU was keen on solving the crisis in the Balkans whereas the USA did not want to get involved in it.

With the creation of ESDP the possibility that balancing against the USA could happen was still considered as likely. As Posen (2006: 149) has boldly suggested, ESDP is indeed a form of balancing behaviour, ‘albeit still a weak form’. Nevertheless the evidence suggests that the creation of ESDP represented more an attempt to define a ‘strategic space for the EU as a security actor’ following the EU’s poor performance in the Balkan Wars (Deighton, 2002: 720). Interview evidence showed that the St. Malo declaration was considered by the EU as a major turning point as far as the EU’s development of a common military arm was concerned. Nevertheless, it was the result of the EU’s willingness to play a more assertive role within the international system without undermining relations with NATO. Enhanced cooperation among great powers such as France and the UK made ESDP possible at the start but there was no British and even French design to match US military hyper-power. This evidence is reinforced by the analysis of data from the Stockholm International Peace and Research Institute (2008). Data of British and French defence spending from 1996 to 1999, the crucial period from when ESDI took off to the creation of ESDP institutions penetratingly shows that internal balancing did not take place. As a matter of fact, British military spending in US million dollars fell from $50,544 in 1996 to $47,542 in 1999 whereas France’s military
spending fell from $51,518 in 1996 to $50,787. Although the decrease in military spending was not substantial it can still be regarded as significant because it came in a period in which both countries manifested their intention to strengthen Europe’s military capabilities as part of the ESDP project. As Mowle and Sacko (2007: 77) have argued, with American defence spending being on the rise since 1999, European military spending dropped ‘from 20 per cent in 1994 to 18 per cent in 2003’ (Mowle and Sacko, 2007: 77).

As far as external balancing is concerned, ESDP has arguably not superseded NATO in the post-Cold War period. The US administration made sure from the very beginning that ESDP should not undermine NATO’s supremacy and the negotiations which brought to ESDP had previously highlighted how certain European countries were uneasy with NATO’s superiority. Still, European countries have generally remained committed to NATO. This is surprising from a structural realist point of view because in the aftermath of the Cold War and the absence of an overwhelming Soviet external threat, NATO would have been expected to fade (Waltz, 1993). Secondly, the Europeans would have sought to aggregate their capabilities and to possibly increase them in order to decrease their dependence on the USA and to ultimately balance against it. As this chapter showed, this has also not happened to the extent to which the structural explanation can be assessed as valid. The EU was divided on whether NATO should continue being Europe’s main security institution: the UK was in favour of NATO whereas France and Germany privileged a stronger and more assertive role to be played by the EU. If EU member states had decisively united their own military assets, it would be possible to see ESDP as a form of external balancing. Then, it would have been necessary to prove that such alliance was directed against the USA. Yet, the way ESDP has developed in the post-Cold War period does not allow assessing the neorealist explanation as particularly convincing.
The soft balancing explanation would have led us to assume that ESDP missions would have been deployed in order to make US power projection more difficult. This should have been a response to the aggressive stance of the Bush administration. ESDP missions Concordia and Artemis are placed in the very context of a strain across the Atlantic following the US-led invasion of Iraq. However, the missions Concordia and Artemis point to the fact that the EU was keen on projecting power in areas where NATO did not want to get involved. The EU, albeit in the empirical analysis conducted in this chapter, did not show an interest to make it troublesome for NATO to project its power. As a matter of fact, the empirical data point out the contrary.

The fact that the EU was able to launch military missions under the aegis of ESDP was a highly remarkable achievement as nobody would have predicted that within 5 years, as 1998 drew to a close, the EU would be able to engage in autonomous military ‘and policing missions in non-permissive theatres’ (Interview 1). However, the scope of ESDP was quite limited as far as power projection is concerned (Menon, 2009). The deployment of ESDP missions and the increased military cooperation among EU member states cannot be seen as a direct response to the aggressive posture of the Bush administration. Concordia and Artemis were deployed in areas where NATO was not interested in staying further (Macedonia) or was not involved at all (Congo). Furthermore, questions on how effective a relationship between ESDP and NATO could be worked out had already been raised between 1998 and 2001 (Interview 16). ESDP would not be directed towards areas of interest to the USA. At the European Council in Brussels in 2003 decisions were taken ‘to establish an EU cell within NATO’s SHAPE and a military-civilian planning cell within the EU military staff were NATO will also have a liason staff’ (European Council, 2003; Interview 1, 11). As a matter of fact, following the final agreement which came at a meeting among Blair, Chirac and
Schroeder on 28th November 2003 as the three leaders ‘agreed on the need for the creation of at least an embryonic EU military planning capability the EU member states agreed to create a permanent ‘civilian-cum-military cell for strategic advanced planning on civilian/military capabilities’ (Menon, 2004: 643). This would run through an “ad hoc” operations centre. Moreover, the SHAPE would be strongly linked to this cell and an EU cell would be created in SHAPE, whose staff ‘will continue to have the responsibility for planning EU/NATO assisted military operations’. The Europeans, by reaching this agreement, confirmed that the wish (prevalently French) to pursue ESDP without NATO or the US was unrealistic (Interview 12, 20).

In conclusion, what this case study reveals is that the rise of European security cooperation can be seen as having been permitted by the altered structural distribution of power (unipolarity) at a global level but was not a balancing response against US power or US aggressive leadership. It was a foreign policy choice the EU took in order to exploit its greater freedom under the unipolar power constellation. The EU designed ESDP in order to achieve a greater level of autonomy but not at the cost of compromising its alliance with the USA. Despite Waltz (2009: 35) has recently come to terms with the absence of military balancing against the USA, now being ‘truly alone in the world’, his original balance of power theory ultimately fails to grasp the absence of balancing against the USA in the post-Cold War era, albeit from the point of view of the European bid to military autonomy from the USA.
CHAPTER 4

THE EU AND THE ISRAELI-PALESTINIAN CONFLICT: EXERTING MORE INFLUENCE IN THE PEACE PROCESS?

4.1 INTRODUCTION

This chapter aims to provide a critical appraisal of (a) the neorealist claim that the EU sought to play a more assertive role in the Israeli-Palestinian conflict in the post-Cold War in order to respond to unipolarity and (b) the soft balancing assertion that it did so in order to set about delaying US diplomatic influence in the peace-process. This analysis covers the period from the launch of the Madrid Conference in 1991 to the launch of the Quartet for peace and its activities from 2002 to 2005.

This chapter brings forward the argument that the tools provided by neorealism and its soft balancing alternative do not adequately capture the reason why the EU attempted to engage with the Israeli-Palestinian conflict in the post-Cold War period in a more assertive way. The evidence of elite interviews conducted for this chapter helps to understand the complex relationship between the EU and Israel and whether the EU’s efforts to play a more emphatic role in the conflict led it to be granted a political role within the Quartet. Contrary to the supposition of neorealism, the EU did not challenge the USA to supersede them as the third party between the Israelis and the Palestinians. Furthermore, as the EU had the timely possibility to work with the USA within the Quartet, it did not seek to challenge the American plan to solve the conflict in a decisive way as the soft balancing argument would have let us assume.
In order to exemplify this, the rest of the chapter is structured in the following way. Section II aims at establishing the historical framework in which this analysis takes place. In particular, it is argued that under conditions of bipolarity, the USA and the EC gradually developed an important interest to take part in a diplomatic solution of the Israeli-Palestinian conflict. Section III analyses the consequences of the advent of US unipolarity at a global level in terms of US involvement in the Israeli-Palestinian conflict. I argue that the absence of the Soviet competitor provided the USA with the incentive to assert its diplomatic influence in the conflict without immediate restraint. Its military involvement in the Gulf War, its diplomatic backing of Israel and its constant efforts to solve the conflict highlight this pattern. Yet, unipolarity did not allow the USA to exert successful pressure to end the conflict. Section III assesses the neorealist statement that the EU strived to get engaged with a diplomatic solution of the Israeli-Palestinian conflict in order to respond to a different and potentially more advantageous power constellation. In so doing, it explores the contention that the EU, now freed from bipolarity, sought to achieve the ‘great power’ status that France and the UK had reluctantly given up during the Cold War. It contends that the EU, despite having been left at the margins of the conflict in the immediate post-Cold War period at the Madrid Conference in 1991, managed to become a more assertive foreign policy actor in the Middle East. Precisely, the EU did so by (a) helping the PA from a financial point of view and (b) enlarging the scope of its economic and political cooperation with Israel. Nevertheless, the EU was also not successful at promoting a peaceful solution of the conflict. It often reiterated its position but was unable to exert significant pressure by virtue of its perceived bias for the Palestinians and not being considered as a strong political actor by Israel and the USA. Section IV questions the soft balancing claim that the EU has fostered a strategy in order to frustrate American influence in the peace process. It pursues this task by tackling the complex Euro-American partnership within the Quartet for peace which was
established in Madrid in 2002 with the intent to find a concerted solution to the Israeli-Palestinian conflict. What makes this significant to examine is the fact that the EU had the timely opportunity to sit at the same negotiating table as the USA. Therefore, it seemed the EU had finally obtained a political and not just an economic role in the conflict. Nevertheless, being in the Quartet did not change the EU’s approach to the conflict. It still sought to maintain a balance between its role as a financial broker for the PA and economic partner of Israel. It timidly challenged the Bush administration as the American President shifted his position towards Israel. Ultimately, however, the EU did not show a strong willingness to develop a distinctive and alternative plan to the Roadmap and was unable to exert significant pressure on Bush and Sharon.

4.2 THE EURO-AMERICAN INVOLVEMENT IN THE MIDDLE EAST DURING THE COLD WAR

The Middle East is a region where, unlike in the EU, there continues to be a high level of security competition and scarce cooperation among the actors involved. For instance, as Miller (2006: 659) asserts, the Middle East has been ‘one of the most war-prone regions in the world’ since WWII. This could imply that neorealism has a relatively straightforward viability when discussing the Middle East (Hyde-Price, 2007). Scholars who sought to test the neorealist theory against the Middle East include Walt who studied patterns of alliance formation in the Middle East from 1955 to 1979 (1985; 1987). In so doing, he found that nations are more likely to ally against strong states than to bandwagon by joining them. Walt explained that the different sources of threat in the Middle East help explain why the Cold War superpowers were sought as allies because other regional states presented more imminent security threats. Moreover, Yetiv (2006) tested both theories of balance of power
and balance of threat against US action in the Persian Gulf and found Walt’s theory more useful towards explaining US behaviour in the Middle East from 1980 to 1996. The realist logic has also been used to criticize American neoconservative policy in the Middle East, particularly the decision to invade Iraq (Mearsheimer and Walt, 2003; Schmidt and Williams, 2008). Other studies point to the inadequacy of balance of power theory to explain third world alignment and how the systemic incentives of the international system played an important role in shaping Israel’s military and defence policy (David, 1991; Schweller, 1992).

This chapter uses the neorealist and soft balancing assumptions, albeit in order to assess the extent to which they have explanatory reach against EU’s involvement in the Israeli-Palestinian conflict and in the context of the evolving partnership between the EU and the USA under unipolarity. The neorealist and soft balancing presumptions are well-suited to attempt an explanation in light of the fact the Middle East is a region the USA and the EU have found particularly bewildering to deal with as strategic partners. However, it is also an area where Washington believes cooperation with the EU is very important (CRS Report for Congress, 2005; Zaborowski, 2006). As UN diplomat Carl Bildt (2003) succinctly asserts, the Middle East is the ‘fault line’ among the EU and the USA. The latter have recently clashed over such issues as the war in Iraq, Iran’s nuclear ambitions and the Israeli-Palestinian conflict (Daalder et al., 2006; Zaborowski, 2006; CRS Report for Congress, 2005). However, as this section shows, episodes of diplomatic friction between the USA and the EU on matters regarding the solution of the Israeli-Palestinian conflict and the wider Middle East region are not a novelty of the post-Cold War period (Gordon, 2005; Quandt, 2006; Crockatt, 2003).
During the Cold War the Middle East was, quite like Europe, a very important theatre for the superpowers’ involvement as strategic actor (Stein, 2006; Vaisse 1989). Despite the Soviet threat acted as the glue that supposedly kept them united, the preferences of the USA and its European allies were inharmonious on more than one occasion (Perther, 1997; Haas, 2006). The complexity of European history and colonial heritage as well as the changing attitude of American public opinion contributed to the framing of different approaches to the solution of the Israeli-Palestinian conflict. This would have long-term consequences on the impact of the Israeli-Palestinian conflict upon transatlantic relations in the post-Cold War period (Watkins, 1997).

American policy-makers generally agreed that there were at least three top security and economic interests in the Middle East which needed to be preserved (Yetiv, 2006). Precisely, these were (a) to prevent Soviet domination of the region, (b) to guarantee access to the region’s oil resources for the USA and for its allies and (c) assure Israel’s security and well-being (Mearsheimer and Walt, 2007; Satloff, 1997; Haglund, 1985). In order to defend these interests, the USA asserted its primacy over France and the UK in several critical occasions (Schweller, 1992; Time CNN, 2008; Verbeeten, 2006; Lundestad, 2003). In fact, the Cold War superpowers were united by a sense of scorn towards traditional European colonialism in the Middle East region (Lea, 2002; Bregman and El Tahri, 1998). Subsequently, France and the UK reluctantly came to accept the ‘loss of great power status’ during the Cold War as they realized they would no longer be the main outside forces in the region (Dannreuther, 2004: 153).

For instance, this was noticeable as the seeds of the on-going Israeli-Palestinian conflict were sown in the aftermath of WWII (Cohen, 1982; Meital, 2006). The USA and USSR, contrary
to the wishes of the British government, backed the UN General Assembly’s resolution 181 on 29th November 1947 (Fraser 2005). This sanctioned the partition resolution and provided for the conclusion of the British mandate and the establishment of two states in the area west of the Jordan River (Ovendale, 1984). The UN partition plan had a dramatic impact on both Israel’s relations with its neighbours and Israel’s relations with European great powers. Israel would fight five subsequent wars with its Arab neighbours throughout the Cold War period (Fraser, 2005; Crockatt, 2003). The creation of the Israeli state gave the jitters to its neighbouring states and both parties unrelentingly entered a phase which brought about a complex refugee problem (Crockatt, 2003). The Palestinian Arabs who had fled the war in 1948 – whether to the West Bank, Gaza, Lebanon, or Syria – would no longer be given the permission to come back (Ovendale, 1984). This would contribute to leave the peace process in the Israeli-Palestinian conflict mothballed (Slater, 2002). When the state of Israel was created, Germany was bearing heavy guilt for Nazi atrocities whereas the UK had abstained from voting the UN General Assembly’s resolution 181 (Newman and Yacobi, 2004; Desch, 2006). Conversely, France became a very important ally for Israel in the first decade after the creation of the state. As a matter of fact, France launched Israel on the nuclear path in the late 1950s by building the Dimona reactor (Wisconsin Project on nuclear arms control report, 1996). Recent evidence also shows that Britain also helped Israel develop the atomic bomb at the Dimona centre (Styan, 2006; Jones, 2006). Furthermore, documents from the US National Security Archive show that US intelligence’s efforts were significantly devoted to obtaining information about the French nuclear weapons program (US National Security Archive, 2006). Indeed, following WWII US intelligence was not solely focused on the USSR but on other countries including France (Mazza, 2008; Richelson, 2006).
With the Suez crisis in 1956, the colonial power of France and the UK was dealt another blow (Lundestad, 2003). France and the UK were cooperating with Israel against Egypt’s nationalization of the Suez Canal whereas Germany remained on the sidelines. The USA decided to refuse support following the Anglo-French invasion of the Suez Canal, this suggesting to London and Paris that they ‘could not count on adequate US backing unless vital American interests were at stake’ (Kapstein, 2002: 142). It therefore became clear that subsequent American administrations during the Cold War would not have a problem supporting nationalism in the Middle East insofar as it could truly produce forms of power independent of communist influence (Soetendorp, 1999). France and the UK still needed American support to ‘hang on their colonies’ at least until the 1960s (Lundestad, 2003: 142).

The situation changed again during the 1960s. Precisely, in 1965 Germany established formal relations with Israel (CRS Report for Congress, 2007). This was very important as Germany would gradually take on the role of Israel’s closest European ally. Yet, Israeli leaders would not lose the opportunity to play the card of the guilt complex on German governments should their views be considered not sufficiently pro-Israeli (Newman and Yacobi, 2004). Moreover, in the aftermath of the 1967 Arab-Israeli war Israel’s political landscape and national agenda underwent a major transformation (Kaas and O’Neill, 1996; Mearsheimer and Walt, 2007). After six days of warfare, Israel occupied the Sinai, Golan Heights, West Bank and Gaza Strip and gained control over ‘two million additional Palestinians’ (Khanna, 2008; Tutunji and Khaled, 1997: 33). In so doing, Israel had conquered Arab areas ‘more than three times the size of its territory on the eve of the war’ (Meital, 2006: 17). The war consolidated US-Israel strategic alliance but provoked a fracture between Israel and France (Mearsheimer and Walt, 2007). It also marked the end of France’s cooperation with Israel for its nuclear program which had been strongly opposed by the USA in the 1960s but that was granted as a
way to reciprocate the support Israel had given during the Suez crisis (Cattori, 2005; Newman and Yacobi, 2004). European and American approaches to the Arab-Israeli conflict seemed to change dramatically in the aftermath of the 1967 war (McDowall, 1990; Isakoff, 2005). In fact, following Kaye (2003: 186), whereas Americans tend to see the 1967 war as an historical event which was unavoidable as it put the survival of Israel at stake, Europeans view the 1967 war as the event preceding the ‘illegal Israeli occupation of Palestinian land’. Furthermore, American Republican and Democratic administrations alike started to see Israel as the state that had defeated two Soviet client states in the 1967 war (Quandt, 2006; Meital, 2006). As Satloff (1997: 16) argues, ‘with the break-up of French-Israeli strategic relationship and throughout the 1960s and the 1970s, the military side of the U.S. – Israeli relationship was essentially a one-way street in which the United States committed itself (at first tacitly, then openly) to ensure Israel’s qualitative edge against any likely combination of Arab military power’. Moreover, following Slater (2002: 174), ‘Israel captured the imagination and sympathy of American public opinion, for it was viewed as having created and maintained a liberal democracy in a region dominated by violent and despotic regimes’. Pro-Israeli groups in the USA became increasingly influential as Israel consolidated as the Western pillar of the US strategic alliance against a Soviet incursion into the Middle East (Brogan, 1992). American public opinion swung dramatically in favour of Israel for the first time in history, a majority of American Jews became Zionists, supporting the concept of a Jewish state (Verbeeten, 2006).

The 1967 Arab-Israeli war would have long-term effects as far as the EC’s perspective on the conflict is concerned (Soetendorp, 1999). The war was one of the first issues which were debated at the first EPC meeting in 1970; it was the first attempt to find a common European solution to the dispute between Israel and its Arab neighbours (Nuttal, 1980; Smith, E., 2004;
Allen and Smith, 1984). In 1971 the EU also began to assist the Palestinians economically as the first contribution was made to the regular budget of the United Nations Relief and Works Agency for Palestine refugees in the Near East (European Commission, 2004). It started to become relatively clear that the EC would seek to balance its relationship with Israel with its concern for the Palestinian cause (Dannreuther, 2004). With the 1973 oil embargo, some Middle Eastern oil rich states were able to exert pressure on the Europeans who realized their full dependence on Middle Eastern oil (Newman and Yacobi, 2004). The EC recognized it needed to strike a difficult balance between its support for Israel’s right to security and the Palestinian right to self-determination. However, relations between EC member states and Israel remained difficult as European countries refused to grant transit access to US aid to Israel during the Yom Kippur War in 1973 (Keridis, 2004). France, whose relations with Israel had been undermined, was a key party behind Europe’s initiatives to back the Palestinians (Nuttal, 1980). French diplomacy, as Imperiali and Agate remind us (1984: 4), scored a notable success within the framework of the newly created EPC as ‘on 6 November 1973…for the first time, the Nine adopted a declaration establishing their position with respect to the Israeli-Arab conflict. This text removes the ambiguities of Resolution 242 and calls for withdrawal from all the Occupied territories; in recognizing that legitimate rights of the Palestinians must be taken into account, it underlines the role of the Security Council and the necessities of international guarantees for any peace settlements’. Thus, France was symbolically the first EC member state to stress the need to underline the importance ‘of the Palestinian national question’ (Imperiali and Agate, 1984: 5). The principles of French Middle East policy were subsequently underpinned by all EC member states in the Venice Declaration on the Middle East which notably called for Palestinian self-determination (European Council, 1980). The declaration acknowledged the ‘rights to existence and to security of Israel’ but also recognized ‘the legitimate rights of the Palestinian people’
The declaration also outlined the basis of the European position on the Israeli-Palestinian conflict and, as Allen and Smith (1984: 187) argue, ‘can be seen as a direct reaction to the American sponsored Camp David process’. The 1980 Venice declaration marked the first significant attempt to play an assertive role in the region as a single actor. Somewhat unsurprisingly, Israelis’ perception of the Venice Declaration was that the EC had a bias against Israel (Hollis, 1994; Rugh, 2006).

The EC would attempt to remain both pro-Israeli and pro-Palestinian in the aftermath of the 1967 Arab-Israeli conflict. Nevertheless it was unequivocal that as long as European countries remained divided on the issue both Israelis and Palestinians would be able to exploit the different foreign policies of several EC member states (Newman and Yacobi, 2004). European great powers’ relations with Israel had been fragmented before their seeming unification under the aegis of the EPC and a certain inclination to favour the Palestinians. Exactly the contrary has happened in the USA where internal political forces such as Jewish-friendly liberals and traditional Democrats united with Christian fundamentalists in support of Israel (Keridis, 2004). What effect the framing of such diversified cultural and strategic perspectives on both sides of the Atlantic would have under the unipolar international system will be the subject of the next section.
4.3 THE USA AND THE ISRAELI-PALESTINIAN CONFLICT IN THE POST-COLD WAR PERIOD: UNIPOLARITY AND ITS DIPLOMATIC DIMENSION

The position of primacy that the USA inherited from the fall of the USSR and the end of the Cold War allowed American foreign and security policy to be reshaped in the post-Cold War period (Lake, 1994). Yet, it can be said that US strategic interests in the re-settling Middle East did not undergo substantial changes (Haglund, 1985; Crockatt, 2003; Watkins, 1997). In fact, US enduring interests in the region were a guaranteed access to the region’s oil resources, Israel’s security and well-being and the establishment of a favourable balance of power for the USA and for its allies (Quandt, 2006; Mearsheimer and Walt, 2007; Satloff, 1997). In neorealist terms, the main change concerned the structure of the international system after 1989 which also marked, in turn, the beginning of a new scenario for the Middle East (Haas, 2006). This had an impact on how the USA would be able to assert its interests in the region. In fact, the USA could now ‘enjoy “unprecedented influence and freedom to act” in that region due to the disappearance of the Soviet threat (Haas, 2006: 2).

Key priorities for the USA in the immediate aftermath of the Cold War were the liberation of Kuwait in 1991, the stationing of extra troops and air forces in the Arabian Peninsula and a strong diplomatic commitment to solve the Israeli-Palestinian conflict (Haas, 2006; Yetiv, 2006). The American-led coalition of 500,000 troops that helped to send Iraq out of Kuwait led to a subsequent reinforcement of the American military presence in the region but also to further Arab resentment for US policies (Quandt, 2006; Freedman and Karsh, 1993; Salt, 2008; Kaas and O’Neill, 1996). Following Rugh (2006: 112), ‘the United States had replaced Britain as the dominant power in the Gulf, and had maintained an enhanced military presence there for a decade’. At the same time, the USA was able to count on tangible European
support for the Gulf War as ‘eight out of the 35 states joining the US-led coalition against the Iraqi invasion of Kuwait were EU member states (United Kingdom, France, Italy, Spain, the Netherlands, Greece, Belgium and Denmark)’ (Wivel, 2008: 295). This was the backdrop against which the USA outlined its strategic priorities for the Middle East in the 1990s. On the one hand, the USA wanted to protect the area from another Iraqi invasion and on the other hand it wanted to deter Iran’s nuclear ambition. This policy is often referred to as dual containment (Mearsheimer and Walt, 2007). The Persian Gulf War in 1991 eliminated the Arab military option against Israel (Allin and Simon, 2003). Furthermore, Arab regimes would no longer be able to count on Soviet military and financial support (Pressman, 2007; Blackwill and Stürmer, 1997). Indeed, as Pressman (2007: 259) highlights, ‘since that time, the only Arab strikes against Israel have been by sub-state actors such as Hamas, Lebanon’s Hizbollah, Palestinian Islamic Jihad, and various factions of the Palestine Liberation Organization (PLO)’. In the aftermath of the Gulf War, US President George H. W. Bush spoke of a ‘New World Order’ and the Gulf War provided an historical instance to assert the US’ enduring interest in the Middle East (Rugh, 2006). Precisely, as the National Security Strategy of the USA released in August 1991 states, ‘the reversal of Iraq’s aggression against Kuwait was a watershed event. Nonetheless, our basic policy toward the region shows powerful continuity. American strategic concerns still include promoting stability and the security of our friends, maintaining a free flow of oil, curbing the proliferation of weapons of mass destruction and ballistic missiles, discouraging destabilizing conventional arms sales, countering terrorism and encouraging a peace process that brings about reconciliation between Israel and the Arab states as well as between Palestinians and Israel in a manner consonant with our enduring commitment to Israel’s security’ (The White House, 1991). The US also committed itself to Israel’s protection with a totally renewed emphasis in the post-Cold War period. It is important to state that, at a diplomatic and institutional level, the
structural condition of unipolarity did not allow the USA to gain complete control of an international institution such as the UN (Chayes, 2008; Walt, 2005). Nevertheless, the USA retained both its seat as one of the five members of the Permanent Security Council of the UN and its veto right on matters falling within the Council’s aegis. By looking at the record of the UN Security Council Resolution since 1946 it can be showed that the USA has used its veto power to block 80 UN Security Council Resolutions. During the Cold War, the USSR also extensively used its veto power by vetoing 121 UN Security Council Resolutions (United Nations, 2008). Nonetheless, since the implosion of the USSR, Russia has only vetoed 6 UN Security Council Resolutions whereas the US has vetoed 15 (United Nations, 2008). The USA has used its veto power more than the other four permanent members of the Security Council. What also matters here is that the USA has been using its veto power in the post-Cold War period mainly for matters relating to the Israeli-Palestinian conflict. Precisely, 12 out of 15 UN Security Council Resolutions vetoed by the US were critical of Israel. In the post-Cold War period the USA also took the decision to increase its military assistance to Israel in order to assert its military supremacy in the Middle East (Mearsheimer and Walt, 2007). Since 1985, as Sharp (2009) argues, the USA has provided ‘nearly $3 billion in grants annually to Israel’ and almost all U.S. bilateral aid to Israel is in the form of military assistance. In fact, drawing on Mearsheimer and Walt’s contribution, ‘not only does Israel receive access to top-drawer U.S. weaponry (F-15 and F-16 aircraft, Blackhawk helicopters, cluster munitions, “smart bombs”)…it has also become linked to U.S. defence and intelligence establishments through a diverse array of formal agreement and informal links’ (2007: 31). American military aid has allowed Israel to maintain the ‘qualitative military edge’ over neighbouring militaries (Sharp, 2009). US support for Israel has not been particularly challenged by the American public in the post-Cold War period. For instance, as columnist Jeff Jacoby (2006) of the Boston Globe asserts ‘solidarity with Israel is an abiding
feature of the American public opinion. Because the American people are pro-Israel, the American government is pro-Israel. And because Americans so strongly support Israel in its conflict with the Arabs, American policy in the Middle East is committed to Israel’s defense’.

In particular, as figure 4.1 shows, as the Gulf War got underway American public support for Israel rose up to 64% which is about as high as it is at the time of writing (63%).

**Figure 4.1 Full trends of Middle East sympathies in the USA**


US Presidents George H.W. Bush (1989-1993) and Bill Clinton (1993-2001) were deeply involved in the Israeli-Palestinian negotiations, a clear sign of continuity of the USA’s diplomatic leverage as a ‘peace’ broker. Arguably, the fact that an immediate military attack to Israel could be excluded and that the USA could enjoy unprecedented influence in the
region allowed focusing on diplomacy to broker a peaceful solution of the Israeli-Palestinian conflict with the launch of an unprecedented ‘international conference in Madrid that included Israel and all the major parties’ (Rugh, 2006: 127). That conference, organized by the USA and the USSR, represented the first time in 43 years that Israel and Arab neighbours sat together to discuss peace (Asseburg, 2002). The USA recognized the potential value of the agreement that was reached between Israel and Palestine at the public phase of the Oslo peace process. The latter was launched by the Declaration of Principles (DOP) and signed at the White House on September 13, 1993 (Pressman, 2007). It was another timely occasion in light of the fact that Israel had recognized the PLO and the Palestinians as legitimate partners in the Middle East peace process. Signed in September 1993, the Oslo Accords could potentially create an Israeli-Palestinian consensus on a two-state solution based on the 1967 borders (Cordesman, 2005; Pundak, 2001).

Notwithstanding the USA’s predominant position within the international system peace was not achieved among the Israelis and the Palestinians. As the peace process seemingly moved further, both sides defied American policies. In fact, as part of the ‘sliding into peace concept’, the 1993 declaration of principles ‘allowed both sides to ignore many of its terms: in the case of the Israelis, by continuing their massive effort to establish settlements in the West Bank and Gaza, and in the case of the Palestinians, by disregarding their commitment not to arm themselves or engage in violence’ (Elizur, 2003: 107). On a number of occasions during Clinton’s presidencies, American actions particularly antagonised the Palestinians, leading to a growth of Anti-Americanism in the wider Arab world (Salt, 2008). For instance, the Palestinians did not favour change in US policy to one of support for the construction of settlements in east Jerusalem and the Congress’ decision to move the US embassy to Jerusalem by 1999 (Pundak 2001). Subsequently, the peace process ultimately caused a
struggle for power and influence between the Israelis and the Palestinians that would eventually lead to the Intifada in 2000 (Pressman, 2007; Hill, 2008).

Having said that the rise of unipolarity at a global level brought about (a) renewed American military (Gulf War) commitment to the Middle East and (b) diplomatic leadership to solve the Israeli-Palestinian conflict in the post-Cold War, it is now time to turn to the questions relating to why the EU would seek to play a more assertive role in the Israeli-Palestinian conflict in the post-Cold War period, what kind of role would the EU choose to play and how do the neorealist and soft balancing propositions help in illuminating this?

4.4 THE EU’S ROLE IN THE ISRAELI-PALESTINIAN CONFLICT UNDER UNIPOLARITY

An American official stated that the premises for a renewed and successful Euro-American influence in a war-prone area were promising in the post-Cold War period. In fact, both the USA and the EU are rich and influential parties whose alliance was strong and consolidated (Interview 17). The altered geo-strategic space in the post-Cold War period with the absence of the Soviet threat implied that European great powers would no longer need to back the USA either to hold on to their colonies or for fear of a Soviet attack. Yet, in the immediate post-Cold War period, European countries were denied a political role by the USA and the USSR during the Madrid conference in 1991. In fact, as Altunisik (2008: 107) puts it, the EC was given a ‘role in multilateral track and became the chair of the Regional Economic Development Working Group (REDWG), the largest of the working groups’. The task for the EC was to provide a role as a model of regional economic integration. Arguably, this could
be considered an appropriate committee for the EU to chair in light of its history as a successful model of regional economic organization. However, it could also be discerned that being excluded from co-sponsoring the Madrid conference gave rise to jealousy within the EU for not having obtained a status as the undisputed third party between the Israelis and the Palestinians (Siniver, 2009).

In spite of this, the EU maintained a strong interest in promoting stability in the Middle East region and helping to solve the Israeli-Palestinian conflict was a vital part of it (Nonneman, 2001). Nonetheless, the EU would not seek to enforce a peaceful solution of the conflict. As Roy Ginsberg (2001:124) concisely points out, ‘what the EU most needs is peace and stability in the region, which only Israel and its neighbours can negotiate and realize’. The EU is also interested in Middle Eastern oil and it is actually more dependent on that than the USA. As Raya (1999: 195) points out, whereas in 1995 Western Europe imported 9.6 million barrels of oil daily, of which ‘5.5 million came from the Middle East and North Africa, the US imported 8.8 million barrels daily, of which 1.8 million came from that region. Figure 4.2 presents data from 2007 as contained in the Statistical Review of World Energy report of the BP which was published in June 2008. Particularly, figure 4.2 emphasises that the EU continues to consider oil trade with the Middle East as very important as 146.6 million tonnes of oil were imported from that region in 2007.
Figure 4.2 Major oil trade movements in 2007: trade flows worldwide in million tonnes


Moreover, as showed by figure 4.3 pertaining data on the world natural gas consumption by region and published in 2006 in the BP Statistical Review of World Energy, the EU is a major gas consumer; its total gas consumption has dramatically increased in the post-Cold War period and the Middle East represents a very important gas provider. It is therefore understandable that the EU would maintain an important interest in helping to solve the Israeli-Palestinian conflict and would therefore find it difficult to remain at the sidelines.
4.4.1 The EU and the Palestinians: financial assistance

The EU’s relationship with the Palestinians has been mainly based on the provision of financial assistance and aid packages in the post-Cold War period. Financial assistance by the EU towards the Palestinians was understood to accomplish the following aims (Asseburg, 2002). Firstly, to improve the living conditions of the Palestinian people (European Commission, 2004). Secondly, to help building viable democratic structures for a future Palestinian state (European Commission, 2002a). Thirdly and subsequently, to help reduce enmity between the Palestinians and the Israelis through the launch of joint projects at the civil society level (European Commission, 2002a). Financial and economic initiatives
undertaken by the EU range ‘from the Global Mediterranean Policy to the Euro-Arab Dialogue, the EC-Gulf Dialogue, the Barcelona process, the Common Mediterranean strategy and the European Neighbourhood policy’ (Musu, 2007: 116; Youngs, 2006). As Altunisik (2008: 108) reminds us, the signing of the Declaration of Principles between Israel and the PLO in 1993 in a secret track outside the Madrid process ‘further ameliorated the Community’s role as a financial backer of the peace process. Right after the beginning of the Oslo Peace Process, the EC released an immediate aid package of 35 million European Currency Units (ECUs) and pledged an additional 500 million ECUs over 5 years’. This agreement to support international efforts for developing the would-be established interim administration in the occupied territories established the EU as the main lender (D’Alancon, 1994).

In fact, the EU provides €3 billion annually in loans and grants to its neighbours to promote good governance, rule of law, the development of civil society, effective social, educational and environmental policies, and support to local entrepreneurs and regional integration’ (European Commission, 2008b). As Hollis (1997: 25) argues, France was in the forefront of the Mediterranean initiative together with other southern European countries, with consensus from north Europeans having been obtained ‘in a bargaining process typical of EU policy-making’. Promotion of stability and prosperity in the whole Mediterranean region was reinforced as one of the EU’s most important aims under the aegis of ENP as conceived by the Thessalonika European Council in 2003 (Weber et al., 2008). The EU provided €18 million in support of the 1996 Palestinian elections, but ‘few European objections were then raised in response to Arafat’s postponement of subsequent polls’ (Youngs, 2006: 147). Most European funding provided direct support for the PA’s operating budget. In fact, since 1997 the EU has been covering PA budget deficits; the payment of public sector salaries; and
provisions for the centralization of fiscal revenues to the PA as part of the establishment of new structures for macroeconomic policymaking’ (Youngs, 2006: 147). As Israel refused to transfer to the PA the custom duties and taxes that it collects on its behalf, the EU stepped in to avert an economic collapse with direct budgetary support. The withheld revenue amounted to some 60% of the Authority’s budget. Israel resumed the tax transfers at the end of 2002 (European Commission, 2005). After the outbreak of the Intifada in September 2000, European governments shifted their support ‘to more basic emergency relief. The ratio of development aid to emergency assistance shifted from 7:1 in 2000 to 1:5 by 2002’ (European Commission, 2005). Total EU (Commission plus member states) aid rose to €500 million per year beginning in 2001. Moreover, EU economic assistance in support of the reform process and in response ‘to the worsening economic and humanitarian crisis’ stood at €570 million for 2002-2003 and aid was distributed through different EU assistance programmes as showed by figure 4.4 (European Commission, 2004).
As Youngs (2006: 149) highlights, ‘six of the PA’s top ten funders in 2001 were EU donors…It was largely EU aid that kept the PA budget afloat, enabled PA salaries to be paid, and gave the PA some form of existence’. The EU was one of the main international sponsors together with the USA, Russia, the UN (the Quartet), Canada, Norway, Japan, the IMF and the World Bank, for the support and implementation of Palestinian civil reforms under the aegis of the ‘International Task force on Palestinian reform’ (European Commission, 2003). Democracy and governance allocations to Palestine for 2004 included €10 million from Germany, €15 million from Denmark, and €24 million from Sweden. Spanish aid to the Occupied Territories doubled between 2000 and 2004, while Palestine accounted for nearly half of Italian aid to the entire Middle East after 2002’ (Youngs, 2006: 154). Overall, the EU
had contributed more than €3 billion to the West Bank and Gaza Strip since 1994 and thereby provided some grounds to the PA for hoping to survive. During 2001, it provided €108 million in budgetary aid to keep the Palestinian Authority alive and in place (EuropaWorld, 2001). The level of aid to the PA, which reached $7.4 billion over three years after a decision taken by 87 countries and international organizations at a meeting in Paris on December 17, 2007 has recently pushed analysts such as Stotsky (2008) to study a possible correlation between the level of foreign aid and the outburst of violence. Whilst such a correlation cannot be taken for granted, Stotsky’s data would seem to suggest that the question regarding the correlation between foreign aid and violence deserves further research. More recent data emphasise the remarkable continuity with which the EU continued to assist the PA from a financial viewpoint. Its assistance to the PA amounted, in fact, to €440 million in 2008 (European Commission, 2008). In particular, through the new programme ‘PEGASE’ the EU aims to help ‘to upgrade public infrastructure in areas identified by the Palestinian Authority as priorities for new investment, including security and the rule of law and electricity’ (European Commission, 2008). On this matter, European Commissioner for External Relations and Neighbourhood Policy Benita Ferrero Waldner asserted that ‘this extra package is a clear indication that we are continuing and reinforcing our commitment to the Palestinian people’ (European Commission, 2008). The EU is the largest donor to the Palestinian people and, through the EU’s new PEGASE mechanism, EU funds help to cover both recurrent expenditures of the PA (such as salaries) and funding for longer term investment programmes. Hence the EU spent some €106 million for peace projects having released this money when the PA joined the Barcelona process’ (European Commission, 2005; Interview 5).
Overall, EU economic help for Palestinian development is far superior to the American. Although the USA clearly backs Israel from an economic viewpoint, following the Oslo Accords in 1993 the EU provided €3.47 billion for Palestinian development between 1994 and 2001, more than the USA offered with a view to advancing the Palestinian state-building process (Beitler, 2006; European Commission, 2008). It is important to stress that the PA could have probably not been able to survive from its inception in 1994 to 2001 without EU support, especially given the fact that ‘from 1995 to 2002 no U.S. assistance went to the Palestinian Authority or any of its constituent bodies’ (Dannreuther, 2002; CRS Report for Congress, 2006). Yet, it is also crucial to contend that US’ funding of the PA is blocked as ‘congressionally approved funding for the West Bank and Gaza Strip cannot be used for Palestinian Authority, unless the President submits a waiver to Congress citing that doing so is in the interest of national security’ (CRS Report for Congress, 2006).

In terms of outcomes, the financial assistance provided by the EU did not achieve much progress in the Palestinian territories. As a matter of fact, the EU only managed to ‘answer the basic needs of the territories’ (Gianniou, 2006: 10). The Palestinian economy did not grow; it actually exhibited negative indicators. For instance, unemployment rose to 30% while the income per capita in the West Bank and Gaza dropped by 35% (Asseburg 2003). There are several reasons why EU’s funds did not reach the expected aims discussed at the beginning of this section. Firstly, Israeli security policies towards the territories had dire consequences on the Palestinian economy (Gianniou, 2006). Specifically, the closure policy introduced by Israel in 1993, a system under which Palestinians ‘were not allowed to enter (or work in) Israel and Jerusalem or move between the West Bank and the Gaza strip without a special Israeli permit’ (Asseburg, 2003: 176). Without guaranteed access to natural resources and control of external borders the Palestinians could not embark on a process of
economic development which could allow them to pursue an institutional reform. Secondly, the shortcomings of the Palestinian administration only made the situation more unsustainable: lack of transparency, a high degree of corruption, insufficient legal and regulatory framework as well as the unawareness of democratic practices (Roy, 1998; Stetter, 2003). Thirdly, the Palestinian economy could simply not progress while the conflict was carrying on; this also minimised the chances of economic development (Meital, 2006).

4.4.2 The EU and Israel: deepening economic cooperation

In the post-Cold War period, the EU has gradually developed an important economic relationship with Israel in seeking to remain engaged with the peace process. The EC and Israel specifically signed their first commercial agreement in 1964 (Mishor, 2006). Moreover, in 1975 Israel and the EC concluded an extensive trade cooperation agreement that governed Israel-European relations for 20 years having been extended and updated periodically through protocols (Mishor, 2006). The European Council in Essen in December 1994 stated that ‘The Mediterranean represents a priority area of strategic importance for the European Union. The European Council considers that Israel, on account of its high level of economic development, should enjoy special status in its relations with the EU on the basis of reciprocity and common interest. In the process, regional economic development in the Middle East, including in the Palestinian areas, will also be boosted’ (European Council, 1994). Hence, Israel and the EU signed a new agreement in November 1995 to update the agreement signed in 1975 (Inbar, 1998). In short, the EU and Israel share a very significant economic relationship which has been strengthened over the years (Von Hindenburg, 2007).
To turn to specifics, the EU-Israel economic relationship now rests on the following frameworks and instruments. Firstly, the EU-Israel association agreement forms the basis for Israel-EU relations having replaced the 1975 EC-Israel cooperation agreement. It is governed by the Euro-Mediterranean partnership which was signed in 1995 and entered into force in 2000 (Musu, 2007). The association agreement provides the means for enduring dialogue and cooperation between Israel and the EU on a variety of fields (Interview 8). For instance, it outlines the framework for regular political dialogue and aims at promoting peace, security and regional cooperation. It includes provisions for the strengthening of economic and socio-cultural cooperation on the widest possible basis, including freedom of establishment, liberalization of services, unrestricted movement of capital, and free market competition. The agreement reaffirms and strengthens the free trade for most agricultural products. Furthermore, the agreement is overseen by an annual foreign ministers meeting (the Association Council) and senior official level meetings (the Association Committee) (Council of the EU, 2000a).

Secondly, there are the Israel-EU agreements on scientific and technological cooperation (Interview 9). As part of this, Israel is the first and only non-European country to be fully associated with the EU’s framework programmes for research and technological development since 1996 (Scham, 2000). The framework programmes are a key part of the EU’s strategy to create a European research area that effectively competes with other technology centres in North America and Asia (European Commission, 2009b). Israel is an active member in the EU’s framework programmes and has proved to be a source of innovation in both basic and market-oriented research conducted in Europe. The EU is now Israel’s second biggest source of research funding after the Israel science foundation. Under the EU’s sixth research framework programme (FP6) Israeli research bodies participated in over 600 research
projects in consortia with their European partners; ‘Israel paid 190 million euros in participation fees and expects to receive some 203 million in research grants’ (Israel Ministry of Defence, Trade & Labour, 2006: 8). Israeli researchers participated in all activities under FP6. It is estimated that, due to the expanded time frame of the EU’s Seventh Research Framework Programme (2007-2013), Israel will contribute around €440 million to it (Israel Ministry of Defence, Trade & Labour, 2006).

Thirdly, Israel is a fully participating partner in the Euro-Mediterranean partnership. Israel is not eligible for bilateral assistance under the MEDA programme because of the size of its economy on par with that of many EU countries (Kosnikowski, 1999). Nevertheless, Israel has been involved in a wide variety of Euro-Mediterranean regional programmes under the MEDA programme (Inbar, 1998). Israel occupies the role of a somewhat atypical partner in this regional partnership: it is not a candidate for EU membership but is better developed economically than its Mediterranean partners. The Euro-Mediterranean partnership has a beneficial impact upon EU-Israel relations but as soon as the process derailed it has negatively affected bilateral relations (Sadeh, 2004).

Lastly, in December 2004 Israel adopted the EU-Israeli action plan within the framework of the ENP (Dromzée and Grenier, 2007). It particularly envisages an upgrade in the ‘scope and intensity of political cooperation’. Moreover, it introduces a significant element of economic migration; it fosters socio-cultural and scientific cooperation and shared responsibility in conflict prevention and resolution. Furthermore, the Action Plan stipulates that the EU-Israel political dialogue should focus on the adoption of measures to combat anti-Semitism, and non-proliferation of weapons of mass destruction (European Commission, 2004b). This document can be criticized for being rather vague with regards to the ambiguity of its
provisions. Tovias and Magen (2005: 418) specifically refer to the Action Plan as a ‘wish list’. However, it also indicates that the EU has become a more assertive actor in foreign policy matters. In fact, the document allows each side to ‘maintain the most suitable reading of its advantages and compromises, respectively’ (Del Sarto, 2007: 71). Whereas the EU can be criticized for the vagueness of its political demands to Israel in return for its ‘participation’ in the internal market, Israel has certainly been tempted by the ‘carrots’ of economic integration while having to put up with its reluctance to recognize the EU as a fully-fledged international political actor (Del Sarto 2007: 72).

To summarize, both Israel and the EU consider their overall economic relationship as very important; Israel, in spite of being a small country provides the EU with a very appealing market (Interview 8, 9). The EU has become Israel’s largest trading partner in recent years, ‘with one-third of Israel’s total exports going to Europe and more than half of Israel’s important coming from there’ (Interview 9). Data from the European Commission’s section on bilateral trade relations show that ‘Israel is one of the EU’s most established trading partners with a total trade with the EU amounting to more than €25.7 billion in 2007’ (European Commission, 2008). Furthermore, as Benita Ferrero-Waldner asserts, ‘Israel’s participation in the European Neighbourhood Policy has also helped give new energy and focus to our relations. The European Commission made it a priority to include Israel in the first wave of ENP Action Plans, so it was especially meaningful when Israel became the first partner to agree an Action Plan with us’ (EuropaWorld, 2007).

The volume of trade between the EU and Israel is larger than the trade volume between Israel and the USA (Kosnikowski, 1999; Inbar, 1998). For instance, data from November 2009 highlight that Israel’s import of goods from the EU totalled 37% against 13% from the USA.
From 2006 to 2009 Israel’s imports from EU countries increased at 17.9% at an annual rate. Israel’s imports from the USA dropped by 10.5% in the same period (The Central Bureau of Statistics, Israel, 2010). In spite of this, the EU is less important for Israel’s foreign policy than the USA is. Israel is not inclined to jeopardize its special relationship with the USA and seeks to maintain a separation between the political and the economic sphere of cooperation with the EU. Therefore, it must be taken into account that the EU is Israel’s largest trading partner despite not being considered as a strong political actor by the latter (Taylor, 1998; CRS Report for Congress, 2005). This represents a problem in terms of EU’s influence in the Israeli-Palestinian peace process. An Israeli official, when asked to comment on the state of the EU-Israeli relationship, did not hesitate to state that Israel cannot stand ‘anti-Israel mega-phone diplomacy in certain EU countries’ but that ‘Israel is very interested in pursuing political dialogue as well as a fruitful trade relationship with the EU’ (Interview 8). Interviewee 9 further stressed that Israel does not consider the EU as a unitary political actor and does not believe the EU can play an important role for its security for two main reasons. Firstly, the EU is not confident about using military force. Secondly and correspondingly, the EU is excessively critical of Israel’s use of force. In sum, the EU lacks the diplomatic leverage to deal with the Israeli-Palestinian peace process and with other issues associated with a war-prone region such as the Middle East more generally.

4.4.3 The EU and the conflict: striving to keep the balance between the Israelis and the Palestinians

As seen in the preceding sections, the EU has sought to leave its mark in the conflict by providing financial assistance to the PA and facilitating Israel’s participation within the
regional frameworks established in the post-Cold war period. Its role has become more inclusive. Nonetheless, its financial assistance has not brought about an economic improvement in the Palestinian territories and the magnitude of its trade relationship with Israel has not achieved a corresponding political influence. Whereas the degree to which the EU has sought to become a more assertive actor in the peace process is tangible, the gap between diplomatic rhetoric and substantial results is still large. Originally accused of having a Palestinian bias by the Israelis after the Venice Declaration in 1980 and excluded by the Cold War superpowers at the Madrid conference in 1991, the EU has strived to maintain a balance between the Israelis and the Palestinians in its various declarations in the post-Cold War period (Interview 4).

However, at first sight the EU’s diplomatic preference seemed to lean more towards the PA. France was clearly the EU member state which sought to maintain better relations with Arab states. To borrow from James (1996), speaking at Cairo University at the end of his five-day visit to Lebanon and Egypt, French President Chirac ‘stressed that a good relationship with Arab countries would be one of the linchpins of French foreign policy under his Presidency…Mr. Chirac’s speech was seen as an attempt to insert Europe, and France in particular, more effectively into a region where the United States is the single international force behind peace moves’. Moreover, as Hollis (1997: 15) reminds us, ‘in October 1996 the West Bank town of Ramallah gave President Jacques Chirac of France a tumultuous welcome when he addressed the Palestine Legislative Council, the first foreign head of state to do so, and openly criticized Israeli treatment of the Palestinians and called for greater European involvement in the quest for Arab-Israeli peace’. Initially, it seemed the UK would not openly side with France as British Foreign Secretary Malcom Rifkind set off to the Middle East in 1996 and reassured the parties that Britain was a more balanced interlocutor. However,
Rifkind also pointed out that Israeli settlements in the West Bank and Gaza were illegal and significantly committed the British government for the first time to a Palestinian state in the West Bank and Gaza (Williams, 2006). When fighting broke out once more between the Israelis and the Palestinians following Israel’s decision to open a new exit to an archaeological tunnel in the Muslim quarter of the Old City of Jerusalem in September 1996, the EU gave a demonstration of unity as the British, French and German governments wrote a ‘joint letter to the Israeli government calling for the tunnel exit to be closed again’ (Breger, 1997; Hollis, 1997: 17).

Yet, in official declarations the EU clearly sought to maintain an important balance between Israel and Palestine (Interview 4). At the European Council held in Florence in 1996 the EU adopted the statement ‘Peace in the Middle East is a vital interest of the European Union. Accordingly, the European Union is ready to play an active part in efforts to recommence the negotiations, commensurate with its interests in the region and on the basis of its major contributions to the peace process so far’. This happened to coincide with the summit meeting in October 1996 convened by former US President Bill Clinton which included Israel and Arab representations but excluded any European representation ‘apparently to the particular annoyance of the French government, among others in Europe’ (Hollis, 1997: 21). British and French policies on the Middle East also seemed to converge in March 1998 as British Foreign Secretary Robin Cook reiterated European policy calling for justice to the Palestinians and security for the Israelis by stating ‘International law requires Israel to withdraw from the Occupied Territories, Southern Lebanon and the Golan Heights. We are clear about the illegality of settlements in the occupied territories’ (BBC news, 1998).
The EU made this position more and more comprehensible through a series of Euro-Mediterranean conferences which followed the launch of the Euro-Mediterranean Partnership (the so-called Barcelona process) with the Barcelona Declaration of November 1995 (Euro-Mediterranean Information System, 2006). In particular, at the Euro-Mediterranean conference in Palermo (Italy) on 3-4 June 1998 British Foreign Secretary Robin Cook asserted the need for the EU to ‘support the realisation of a just, comprehensive and lasting peace settlement in the Middle East based on faithful implementation of the relevant UN Security Council resolutions and the principles of the Madrid Peace Conference, including the principle of land for peace, which would bring justice and security to the people in the region’ (Euro-Mediterranean Information System, 2006). Furthermore, the European Commission issued a policy recommendation in May 1998 calling on the EU to exclude Israeli imports from the West Bank, Gaza strip, Golan Heights and eastern Jerusalem from preferential trade benefits granted to Israel. At stake is an estimated $200 million worth of goods, mainly agricultural produce, that are exported annually from settlements in the West Bank and Gaza (European Commission, 1998). The EU confirmed its explicit support to the principle of Palestinian statehood in the 1999 Berlin declaration which stated that ‘the continuing and unqualified Palestinian right to self-determination including the option of a state’ and also declared that ‘it looks forward to the early fulfilment of this right’ (European Commission, 2005). The EU also supported the PA through Solana’s membership of the Mitchell Commission, established on December 2000 to sketch out recommendations to bring the Israeli-Palestinian conflict to an end (Ortega, 2003). As Israel destroyed the runaway of the Palestinian airport in Gaza during one of the retaliatory actions for the Karina A incident the EU heavily criticized Israel on the grounds that EU funds had helped to build the airport (Freedman, 2007; Dudkevich, 2002). In a lecture, presented at Loughborough University (UK) on 12 November 2008, British conservative MP David Lidington asserted that EU
member states are absolutely right in saying that Israel should stop the settlements and that a two-state solution is what should finally represent the end of the Israeli-Palestinian conflict.

4.5 THE EU AND THE USA WITHIN THE QUARTET FOR PEACE: ATTEMPTING TO FRUSTRATE AMERICAN’S DIPLOMATIC LEVERAGE?

4.5.1 The establishment of the Quartet for peace and the EU’s position

After ten years since the signing of the Oslo Peace accords peace between the Israelis and the Palestinians had not been reached yet (Meital, 2006). Alternating Israeli governments from 1993 onwards kept expanding settlements, expropriating land and generating friction with the Palestinians. As Meital (2006: 70) reminds us, in the first eight years of the “peace” process, ‘the settler population grew by almost 80 percent, an impressive figure in which natural increase accounted for only a small proportion’. Moreover, to borrow from Pressman (2003: 120), ‘Israeli settlement building in the West Bank and East Jerusalem was not explicitly forbidden by the Oslo agreements, and the construction of new settlements and the expansion of old ones continued. From 1993 to 2000, the number of Israeli settlers increased by at least 117 per cent in Gaza and at least 46 per cent in the West Bank (not including East Jerusalem)’. The determinant of the second Intifada ought to be looked for in the Palestinian reaction to the enduring Israeli occupation of the West Bank and Gaza strip (Pressman, 2003). In fact, the Palestinians had thought that the 1993 Oslo agreement would lead to an improvement of economic conditions, cut off Israeli occupation and guarantee Palestinian statehood (Klein, 1997). As such hopes were found lacking and with a deterioration of the conflict, many Palestinians lost faith in the diplomatic process and began to believe open
confrontation was the only viable option (Usher, 2003). Therefore, the failure of the US sponsored summit at Camp David in 2000 brought about the outbreak of the second Al-Aqsa Intifada (Meital, 2006). The consequences of the Intifada would, in turn, be disastrous for the already wobbling Palestinian economy which was weightily dependent on external aid (Sayigh, 2006; Pundak, 2001; Sharp, 2006). In fact, by 2004 more than 60% of the Palestinian population in the West Bank and Gaza Strip lived below the poverty line ‘with more than 40% unemployment’ and with the majority of Palestinians living on less than 2 dollars a day (European Commission, 2005). The PA could not do much to stop the violence as Meital (2006: 96) argues that ‘PA spokespeople distinguished between acts committed in Israel proper that hurt civilians and acts committed against soldiers in the Occupied territories. The former were usually condemned. Not so the latter’.

The framework in which the USA and the EU were going to try to bring the peace process forward was one in which the violence generated by the Intifada perpetuated itself and Ariel Sharon, having ‘presided over massacres of Palestinian civilians since 1953’, was elected as Israeli Prime Minister (Pilger, 2001; Slater, 2002b). However, this was an auspicious test case in order to see how the EU would use the opportunity to leave a political mark in the conflict. Colin Powell, at a Quartet news conference on May 2, 2002, announced that it was ‘important...for me to have this unified body of opinion and thought behind me’ (Mandel, 2003: 16). By setting up the Quartet for peace, the USA committed itself to cooperating with the EU to engineer a two-state solution (Musu, 2007). The Quartet marked an important departure from previous US attempts to bring peace to the Israeli-Palestinian conflict as rarely had the USA sought the active involvement of additional parties in its efforts at mediating Arab-Israeli conflict (Mandel, 2003). In so doing, the agenda of the 1991 Madrid conference was revived with the UN Secretary-General, the EU High Representative for
Common Foreign and Security Policy (Javier Solana) and the Russian foreign Minister (Igor Ivanov) (Siniver, 2009). The EU had the timely opportunity to sit at the same table as the USA as the main third party and the Palestinians would potentially have another possibility to reach independent statehood according to the pre-1967 borders. The EU was enthusiastic for having reached the much yearned opportunity to obtain a political, not just economic ‘place at the peace process table’ (Kaye, 2003: 183). In contrast to what had happened for the Madrid Conference in 1991, the EU’s position was now upgraded. The EU’s continuous financial assistance to the PA and renowned economic relationship with Israel earned the EU the possibility to gain more influence in the peace process (Interview 10; 14).

Being in the Quartet did not, however, change its official position as the EU called, in 2002, for a negotiated solution of the conflict and urging the end of Israel’s occupation of the West Bank and Gaza and the creation of a Palestinian state on the basis of the 1967 borders (European Commission, 2005). In so doing, the EU advocated a ‘fair solution’ for the status of Jerusalem together with a ‘just, viable and agreed solution to the problem of the Palestinian refugees. The end result ‘should be two states living side by side within secure and recognized borders enjoying normal relations with their neighbours’ (European Commission, 2005). Moreover, the EU was clear in stating that such a solution would only be possible through close cooperation with the other members of the Quartet in a multilateral framework (Interview 10; European Commission, 2005). The EU’s stance towards the Israeli-Palestinian conflict had also been pointed out by External Affairs Commissioner Chris Patten in a speech at the EP in December 2001 following the outbreak of the second Intifada in 2000 (Europaworld, 2001). In particular, Patten asserted ‘We respect the fact that it is the Israeli government’s duty to provide safety for its citizens. And we also understand Palestinian frustration over the continuous military occupation and remorseless spread of
settlement…the Palestinian Authority had to take concrete steps to arrest and bring to justice those who commit terrorist acts. The EU would continue to press for this. It had called clearly for the dismantling of the terrorist networks of Hamas and Djihad…it was equally crucial that Israel withdrew its military forces, stopped the extra-judicial killings; and ended the closure and restrictions on Palestinian people, particularly the senseless bombing and infrastructure’ (Europaworld, 2001). Moreover, at the European Council in Copenhagen in 2002 the EU urged the Israeli government to ‘reverse its settlement policy and as a first step immediately apply a full and effective freeze on settlement activities. It calls for an end to further land confiscation for the construction of the so-called security fence’ (European Council, 2002). The European Council in Copenhagen also stressed ‘with the aim of supporting the reforms in the Palestinian territories, the EU will continue its budgetary support to the Palestinian Authority with clear objectives and conditions. The EU calls on other international donors to join this engagement also with a view to coherent efforts for reconstruction. Israel on its part must resume the monthly transfers of Palestinian tax revenues’. EU’s financial support to the PA continued in 2002 at a rate of €10 million per month (Europaworld, 2002). As Youngs has stressed (2006: 162), the EU’s position at the formation of the Quartet could be summarized as ‘we help build the Palestinian state first, then we aim to perfect democracy’.

4.5.2 Bush’s shifting approach to the Israeli-Palestinian conflict

As George W. Bush became US President in 2000, peace in the Middle East seemed further away than ever (Sayigh, 2006). The record of US engagement, having convened all the most important meetings at the highest level only to see them ‘fail’ at Shepherdstown, Geneva, Camp David and Oslo’ was also not promising (Pressman, 2007: 270). Before the 9/11 terrorist attacks in the USA Bush differentiated himself from Clinton in two respects with
regard to the Israeli-Palestinian conflict. Firstly, he decided to adopt a ‘hands-off’ approach leaving the two sides to sort out their own differences whereas Clinton had devoted much of his attention to the peace process (Freedman, 2003: 505). Secondly, whereas Clinton’s allegiance had been both for the leaders of the Israeli Labour party and for Arafat, Bush initially established warm relations with Ariel Sharon, the right-wing Israeli leader (Rugh, 2006; Stein, 2002). Particularly, during their first meeting at the White House, Bush made a comment on Sharon’s ‘marvellous sense of history’ (Israeli Ministry of Foreign Affairs, 2001). Not only had Sharon opposed the Oslo process after 1993 but he had also sought to thwart every other move toward a compromise of the Israeli-Palestinian settlement (Gerteiny, 2007). As Slater (2002: 179) puts it, ‘since his election as Prime Minister in January 2001, Sharon has continued down this road: expanding the settlements, repressing the Palestinians, and killing all hopes for a political compromise and an end to mutual Israeli-Palestinian violence’.

After the 9/11 terrorist attacks in the USA, Bush’s policy towards the Middle East was completely reshaped. As Pressman (2009: 152) asserts, ‘the Bush administration crafted three major policies to advance U.S. national interests in the region: defeating terrorism, promoting democracy, and stopping the development of weapons of mass destruction’. This would have far-reaching effects as far as Bush’s involvement in the Israeli-Palestinian conflict was concerned. Sharon used this opportunity to make sure Israel would be included in the US coalition in the war on terror. As Gerteiny (2007: 99) puts it, ‘Israel seized upon Bush’s declaration of war on global terrorism to justify its repression of occupied Palestine and intensify its blockade of Yasser Arafat in his Ramallah quarters’. In a conversation with US Secretary of State Colin Powell Sharon related Yasser Arafat to Osama Bin Laden by saying ‘Everyone has his own Bin Laden. Arafat is our Bin Laden’ (Whitaker, 2001). Nevertheless,
after Powell had made sure Israel would not be part of any anti-terrorist military action, Bush decided to openly back the creation of a Palestinian state and did not hesitate to use the words ‘Palestinian state’ in a speech in October 2001 (BBC, 2001). Specifically, Bush stated ‘We are working for the day when two states – Israel and Palestine – live peacefully together within secure and recognized boundaries’ (quoted in Freedman, 2007: 287). Bush also asserted that ‘the idea of a Palestinian state has always been part of a vision, so long as the right to Israel to exist is respected’ (Kessler, 2005). In order to emphasise how surprising Bush’s speech was it may suffice to recall that President Clinton, who was also a supporter of a two state-solution, had not used the words ‘Palestinian state’ until ‘his last two months in office’ (Mearsheimer and Walt, 2007: 205; Kessler, 2005). The idea of ‘Palestinian statehood’, following Satloff (2001: 34), ‘had not, of course, “always” been part of Washington’s vision’ for the Israeli-Palestinian conflict…President Reagan specifically rejected statehood in 1982’.

Sharon did not favour this plan as he was committed to keeping the whole of Jerusalem under Israeli control; he seemed reluctant to yield more than 42 per cent of the West Bank to the PA as he envisaged a weak Palestinian entity made up of isolated enclaves with no territorial contiguity (Gerteiny, 2007). Subsequently, he reacted to America’s plan with anger and in fearing the USA would distance itself from Israel he alluded to the Munich Pact of 1938, when the Sudeten region of Czechoslovakia was ceded to Germany, by proclaiming ‘Israel will not be Czechoslovakia’ (Bennett, 2001). Although Sharon would later apologize for having caused a row with the USA, his frustration over Bush’s logic of appeasement towards Arab states still dominated (Schmemann, 2001). Notwithstanding this, relations between Jerusalem and Washington soon started to improve. Two factors made reconciliation possible: firstly, the Israeli lobby’s efforts to exert pressure on the Bush administration to
allow the Israeli forces to remain in the Palestinian areas it had recently reoccupied and, secondly, to the US initial victory in Afghanistan which reduced the need to win Arab support (Mearsheimer and Walt, 2007). As Sharon visited Bush in February 2002 he sought to convince the American President that Arafat was the main obstacle to the peace process (Sanger, 2001). Bush was especially sympathetic to Sharon’s argument that Arafat was behind the Karina A incident which occurred in January 2002 (Mearsheimer and Walt, 2007). The Karina A was a ship which carried 50 tonnes of weapons and explosives and was seized by Israeli commandos in the Red Sea (Whitaker, 2002). The debate on whether such ship was destined to Gaza or whether the arms were destined to Hezbollah in Lebanon is beyond the scope of this chapter. It is, however, important to highlight that Bush was sold on Sharon’s argument; his support for Sharon became ‘unreserved’ and ‘Hamas, Islamic Jihad…Hezbollah were placed on the U.S. terrorist list (Slater, 2002: 191; Freedman, 2003: 506). Specifically, the American administration was dogmatic towards Hamas in stating that ‘Hamas cannot have one foot in politics and other in terror’ (Khanna, 2008: 209). As Miller (2007) argues, the EU ‘grudgingly agreed to follow the USA, and place Hamas on its terror blacklist’. France was the most reluctant member state to impose the ban on Hamas (Perelman, 2003). In a symbolic speech on 24 June 2002 Bush revisited his vision on the creation of a Palestinian state by declaring ‘Today, Palestinian authorities are encouraging, not opposing, terrorism. This is unacceptable. And the United States will not support the establishment of a Palestinian state until its leaders engage in a sustained fight against terrorists and dismantle their infrastructure’ (The White House, 2002a). Bush’s support for a ‘Palestinian state’ was conditional on the Palestinians electing a different leader to Arafat who was held responsible for the outbreak of the Second Intifada (Indyk, 2003). As Slater (2002: 191) asserts, ‘Bush has been manipulated by Sharon into accepting the Israeli
definition of the situation: Israel is resisting a terrorist movement that has no legitimate goals and is part of a global terrorist network’.

The Middle East now took shape as a very important battle ground for Bush’s war on terror and this significantly affected US policies towards Arab regimes and the Israeli-Palestinian conflict (Quandt, 2006; Meital, 2006; Rugh, 2006). Bush’s treatment of the Israeli-Palestinian conflict got enmeshed with the wider strategy of democracy promotion endorsed by his administration in 2001 (Telhami, 2007). The USA opted for breaking diplomatic ties with Arafat as they did not see him as a suitable person to negotiate with. Therefore the USA, backed by Israel, sought to isolate Arafat (Quandt, 2007; Rennie, 2002). The Bush administration insisted on the necessity for internal reforms in the PA to combat corruption and ‘unify control of security forces under a single civilian command. Bush put these reforms in the context of PA policymaking and prevent Western donor money from funding violence by Arafat’s Fatah militants against Israel’ (Wittes, 2008: 81).

4.5.3 The failure of the Roadmap

The work of the Quartet went on for half a year after having been established in February 2002. Precisely, in October 2002 a draft document of the Roadmap was completed and started to circulate (Meital, 2006). The Roadmap comprised three phases. Phase I (October 2002 – May 2003) had to focus on transformation/elections. There would have to be an end to Palestinian violence, followed by Palestinian political reform, Israeli withdrawal from Palestinian cities and freeze on settlement expansion (Meital 2006). The EU agreed with the USA that a democratic transformation of the PA was an important goal to pursue. Nevertheless, the EU had started to work towards that aim before 9/11. As Perthes (2004: 86)
reminds us, ‘building democracy and supporting civil society, the rule of law and human rights have been key elements of the political and security chapter of the Barcelona process’. The EU was also sceptical of the US’ move to sideline Arafat as it considered him the democratically elected Palestinian leader and feared any viable alternative would only arise from more extremist factions (CRS Report for Congress, 2005). Phase II (June 2003 – December 2003) was called ‘transition’. It would start after Palestinian elections and end ‘with possible creation of a Palestinian state with provisional borders by end of 2003’ (Middle East Historical Documents, 2002; US Department of State, 2003). Phase III (as early as 2004/2005) would bring about the consolidation of a Palestinian state, ‘Arab acceptance of normal relations with Israel and security for all the states of the region’ (Middle East Historical Documents, 2002).

Although Sharon’s first reaction to the Roadmap was far from positive as he used phrases such as ‘Israel’s destruction’, ‘document of surrender’, ‘giving up everything’, and ‘hell’, the Roadmap was ultimately accepted with a number of reservations (Meital, 2006: 166). The PA accepted it but organizations such as Hamas, Islamic Jihad, the Al-Aqsa Martyrs Brigade, and the Tanzim did not (Freedman, 2007). As Indyk (2006: 49) notes, the Roadmap’s first results brought about everything but ‘renewed confidence’: on the one side the Palestinians are promised a state but observe how Israel keeps expanding its settlements whereas on the other side Israelis are promised security but only get terrorism and violence back. To crown it all, Hamas and other Palestinian militants were convinced that the only way to defend the rights of the Palestinians was by engaging in violence and terror rather than negotiations. In a nutshell, violence on both sides prevented the parties from carrying on with the Roadmap (Meital, 2006).
In July 2003, Israel took the decision to build the so-called security fence, a wall of planned 580 kilometres (360 miles) of an estimated cost of $1.5 billion in 2002 (Elizur, 2003). It was the realization of a project which had been discussed since 1996 (Meital, 2006). Indeed, to draw on Meital’s contribution ‘as construction of the fence proceeded, it became clear that for the first time since 1967, the lives of millions of Arabs and Jews were changing dramatically in a sizeable chunk of the disputed land. In particular, for a large part of the Palestinian public, the fence made life unbearable’ (2006: 181). As Quandt (2007: 501) stresses, ‘the barrier would follow the 1967 lines in some areas, while in others it would intrude into the West Bank in very disruptive ways for Palestinians’. The fence cut across Palestinian land, cutting villages off from their agricultural land. Furthermore, to borrow from Salt (2008: 341) Israel sought ‘to fragment the territories, to enclose and disarm the Palestinians, to stifle their economic and social development, to break them psychologically, and to prevent them from establishing anything that could be realistically called a state’.

Bush expressed his concern over the security fence. Being cautious not to unsettle the strongly pro-Israel conservative Christian supporters, he urged Israel to ‘consider the consequences of its actions on the peace process’ (Cornwell, 2003). Yet, as Sharon insisted on the necessity of the fence to contain Palestinian terrorism, Bush agreed on the fact that the latter was a fundamental obstacle to peace (Stout, 2003). In 2004, the ‘General Assembly approved a resolution overwhelmingly…demanding that Israel obey a World Court ruling it abandon and dismantle its separation barrier on the West Bank and pay compensation to Palestinians affected by its construction. 150 members (including the entire EU) voted in favour and 6 against – including the United States, Australia and three small Pacific island countries – with 10 abstentions’ (Hoge, 2004; UNBISNET, 2008; McGreal, 2004). Israel significantly accused the EU of ‘encouraging Palestinian terrorism’ for backing the UN
resolution; it had previously attempted to lobby key EU countries, including Britain, to abstain from voting (McGreal, 2004). Although the EU’s backing of the resolution angered Sharon, Israeli officials were relieved to know the EU would not take the matter further in calling for sanctions on Israel (McGreal, 2004). This could have had serious implications for the important trade relationship the EU and Israel share.

The Roadmap ceasefire began on 29th June 2003 but in August the IDF killed a member of Islamic Jihad that, according to Israel, was responsible for the attacks. This brought about Hamas’ reaction with an attack that took place on the 19th of August 2003 and which provoked the death of twenty Israelis (Meital, 2006). With the ceasefire over again, the peace process was once more time in ‘tatters’ (Beitler, 2006: 126). As the EU-US concerted effort to bring peace among the Israelis and the Palestinians was vanishing, Sharon put forward his plan for unilateral disengagement which went contrary to the spirit of multilateralism underpinned by the Quartet (Musu, 2007). On February 2004, Sharon stated that ‘this vacuum for which the Palestinians are to blame, cannot go on forever. So, as part of this disengagement plan, I have ordered an evacuation…of 17 settlements with their 7,500 residents, from the Gaza Strip to Israeli territory…the aim is to move settlements from places where they cause us problems or places where we won’t remain in a permanent arrangement. Not only settlements in Gaza, but also three problematic settlements in Samaria (in the North of the West Bank)’ (quoted in Reinhart, 2006: 30). Bush decidedly endorsed Sharon’s disengagement plan to pull out of Gaza and parts of the West Bank, calling it a ‘bold and courageous step’ (Mearsheimer and Walt, 2007: 217). At this point, Bush was running for re-election in 2004 and believed that backing Sharon’s plan would have helped him win a second mandate (Milbank and Allen, 2004). In so doing, he sought to find a common cause with Jews and increasingly pro-Israel Christian conservatives in battleground states such as
Florida, Ohio and Pennsylvania (Reynolds and Wallsten, 2004). The reaction from the EU to Sharon’s disengagement plan looked more balanced. In fact, as Everts (2004: 670) reminds us, ‘European governments were quick to welcome any withdrawal from occupied territory; but they were deeply critical of the other elements of the Bush-Sharon deal’. Irish foreign Minister Brian Cowen, speaking for the EU foreign ministers at a news conference on 16 April 2004 asserted ‘No number of unilateral initiatives on their own can bring about a permanent peace in the Middle East. Everybody knows that’ (quoted in Lagerquist, 2004). The EU 25 voiced its concern, along with the UN General Assembly, as it endorsed the advisory opinion of the International Court of Justice of 2004. This concluded that, by constructing the barrier in the occupied Palestinian territory, Israel had violated several of its international obligations, made a final settlement more difficult to attain and caused significant humanitarian difficulties for Palestinians separated by the barrier from their business, families’ (European Commission, 2008).

4.6 CONCLUSION

This chapter aimed at understanding whether the EU’s striving for influence in the Israeli-Palestinian conflict can be seen as a result of the rise of unipolarity at the global level (structural incentive) or as a deliberate choice of the EU to defy the USA as the peerless mediator between the Israelis and the Palestinians. The chapter began by arguing that the rise of unipolarity at a global level allowed the USA to legitimize its role as an undisputed third party between the Israelis and the Palestinians. Nevertheless, unipolarity did not provide the USA with a corresponding level of influence to enhance the Israeli-Palestinian peace process. The USA has expanded its military bases in the Middle East and continued to provide military, economic and diplomatic assistance to Israel. Nonetheless, it has been unable to
exert significant pressure on Israel for domestic reasons and to guarantee the Palestinians that it was a balanced interlocutor.

The chapter then turned to the EU and provided empirical data in order to back up the neorealist and soft balancing claims. Neorealism would have led us to expect the EU to respond to unipolarity in order to become a reliable political third party between the Israelis and the Palestinians, which is the role the US enjoys. Soft balancing hinted that the EU would preferably have sought to provide an alternative plan to the US for the solution of the conflict. In so doing, the EU would calculatingly set forth to weaken the American influence in perceiving it to be overtly unilateral and dangerous. These propositions are not entirely persuasive when verified against the EU’s involvement in the Israeli-Palestinian conflict. The EU was interested in regaining an efficacious capacity to work towards the solution of the Israeli-Palestinian conflict. It also had considerable economic and security interests in doing so. Moreover, the EU did not appreciate being denied a political role at the Madrid conference in 1991. Still, rather than rushing to take the US place as the third party in the conflict; the EU has sought to get involved in the peace process by seeking to remain a fair interlocutor between the Palestinians and the Israelis. In doing so, it has selectively engaged with both parties. It has provided financial assistance to the Palestinians and it has included Israel in the regional programmes it has launched in the post-Cold War period. Despite these efforts, the EU has also not been entirely successful at promoting peace between the Israelis and the Palestinians. It has funded the PA but the Palestinian economy has not got any better; it has reached a very important trade relationship with Israel but is still not considered a political actor by the latter.
The EU was then awarded the opportunity to sit at the same negotiating table as the USA within the Quartet. In doing so, it responded to an unprecedented US decision to form an instrument for multilateral cooperation to bring the peace process forward. The Quartet produced a Roadmap which was, however, never successfully implemented. The decisive factor explaining why the Roadmap did not work was found in the Quartet’s difficulty to handle the situation on the ground which soon deteriorated. Under heavy pressure by Israeli Prime Minister Sharon, Bush ultimately shifted his initial preference for a multilateral solution worked out by the Quartet to an endorsement of Sharon’s unilateral plan of disengagement. The American President undermined the chances to pursue a peaceful solution of the conflict but was able to use Sharon’s insisting pressure for his own re-election bid. The EU was more successful at holding back Sharon’s policies but was also ineffective at using its economic relationship to exert political pressure on Sharon.
CHAPTER 5

EU-US ECONOMIC RELATIONS IN THE POST-COLD WAR PERIOD: A CASE STUDY OF THE STEEL DISPUTE

5.1 INTRODUCTION

This chapter critically assesses the neorealist and soft balancing propositions against the economic side of transatlantic relations in the post-Cold War period. It contends that the EU and the USA are major powers within the international political economy and there is a dynamic between the two which is shaped by their long-lasting and far-reaching trade relationship. In the post-Cold War period such dynamic has been influenced by the emergence of strong and alternative industrial and financial partners. This chapter investigates whether the rise of the EU as a progressively assertive economic power led it to balance against the USA and whether it has proved able to hold back US economic leverage and chances to pursue unilateral policies within the international economic system. In order to highlight this, this chapter focuses on the steel dispute between the EU and the USA in 2002/03. Before providing the chapter outline, this case study begins by reviewing the formation of the Euro-American economic partnership during the Cold War. This is done in order to understand the extent to which the EC gradually managed to establish itself as an economic rival to the USA before the end of the Cold War. This would have profound implications on the ways in which the Euro-American relationship would develop in the post-Cold War period. It also partly explains why it is more problematic to argue that the international system became unipolar in the post-Cold War period as far as economic power is concerned.
The foundations of Waltz’s balance of power theory lie in economics and much of his inspiration to understand how states behave in an anarchical world comes from his understanding of firms operating in highly competitive economic markets (1979). Economic policy does not involve physical survival or territorial integrity but is an area where the political independence of states is at stake (Gilpin, 1981; Gresser, 2002). As Cohen (1997:73) points out, it is the ability ‘to promote material well-being at home free of constraining influence from abroad. Each nation’s goal is, to the extent possible, to maximize economic policy autonomy against all threat of outside interference’. Trade is considered here as a foreign policy issue and international structure is understood as an important factor to discern state interest (Goldstein, 1995).

Robert Keohane significantly compared the USA in the immediate aftermath of WWII to a ‘Gulliver among the Lilliputians’ by being the sole major industrial country not to have suffered the devastation of the war (quoted in Cohen, 1997: 75). David Lake (1995: 120) agrees with this assessment by stating ‘the immediate post-Second World War era was anomalous; with Europe and Japan devastated by the war, the United States enjoyed a period of unchallenged American supremacy’. As a matter of fact, during the 1950s the USA supplied half the world gross product and sixty per cent of the world manufacturing (Meunier, 2005; Du Boff, 2003). Moreover, as Krasner (1993: 24) highlights, ‘the gross national product (GNP) of the United States was about three times larger than that of the Soviet Union and six times larger than that of Great Britain, its nearest non-communist rival’. The USA was able to exert considerable influence in trade policy by virtue of its relative market size and the overall performance of its economy (Krasner, 1976; Krueger, 1998). As Krugman (1994: 33) reminds us, the period 1959-73 was ‘of vigorous growth in U.S. living standards and few concerns about international competition’. Indeed, ‘until the 1970s’, as the
USA could be considered the ‘unchallenged hegemon’ in world trade, it assumed a major international leadership role by creating and leading a liberal trade regime (Meunier and Nicolaïdis, 2006: 908; Young and Peterson, 2006: 803). It is precisely in this context of US hegemony that the theory of hegemonic stability was outlined. The latter posits that hegemony, understood as a condition in which there is a peerless economic power, is an unobjectionable precondition for the development and preservation of a liberal international economy. The subsequent logic of the theory is that as the hegemon begins to decline, the international economy is likely to move towards conflict (Gilpin, 1971; Krasner, 1976).

The liberal international trade regime which took shape in the aftermath of WWII and following the premature disappearance of the ITO in 1948 was based on multilateral trade established by the GATT in 1947 (Bhadwati, 2001). International financial stability took form with the Bretton Woods agreements in 1944 (Subacchi, 2008). The USA backed these agreements on the assumption that peace would be best promoted by establishing a system which would guarantee to states equal access to the world’s resources and markets (Borrus and Zysman, 1992; Gilpin, 1971). Such a system could clearly be seen as fitting American interests (Hoekman and Kostecki, 1995; Young, 2000). Yet, scholars generally agree that the GATT worked effectively for many years (Kaufman, 1982; Gowa and Kim, 2005; De Bièvre, 2006).

The parties which contracted under the GATT did not commit themselves to free trade without tariffs but became part of a system in which they would undertake a series of negotiating rounds where ‘tariff concessions would be exchanged’ (Krueger, 1998: 5). Specifically, GATT presided over a succession of rounds of multilateral trade negotiations (Hoekman and Kostecki, 1995). The first five rounds (the Geneva Round of 1947, the
Annecy Round of 1949, the Torquay Round of 1951, the Geneva Round of 1956 and the Dillon Round of 1960-61) gave attention to the reform of import tariffs and quotas. On average, only twenty-five countries took part in negotiations and highly sensitive areas such as agriculture and textiles were normally not on the agenda (Jawara and Kwa, 2008).

The fact that the emerging Euro-American economic partnership during the Cold War would be under American control was ‘taken for granted’ (McGuire and Smith, 2008: 71). Most West European states experienced an important economic recovery in the aftermath of WWII; this created, in turn, massive balance of payments deficits and dollars shortages in particular. West European governments had to face important currency problems and were not able to pay for their imports, this increasing the risk of impeding their economic recovery (Nugent, 1991). Under these circumstances, the USA was clearly interested in having a strong Western Europe from an economic point of view (Mastanduno, 2009). Nevertheless, the USA had to compromise between opening its markets and putting up with Western Europe’s departure from free trade in order to develop (Borrus and Zysman, 1992; Subacchi, 2008; Piszkiewicz, 1998).

The EC developed itself as a strong economic entity and soon established itself as an important player in world trade by dint of its flourishing single market (Meunier and Nicolaïdis, 2006). As Sbragia (2010: 371) asserts, ‘the Treaty of Rome empowered the EU to operate as a unitary actor within the GATT with the European Commission (at least formally) acting as the sole negotiator’. As a single entity, the EC’s negotiating position at the Dillon and Kennedy Round of the GATT during the 1960s was strengthened (Meunier and Nicolaïdis, 2006). The Dillon Round focused precisely on negotiating compensation for the loss of markets which followed the creation of the EEC. Hence, to draw on Swinbank and
Tanner’s contribution, ‘the case for compensation was based on the expectation that the imposition of a common external tariff would reduce the level of imports’ (1996: 11). Moreover, the EC ‘denounced the tariff bindings on products that were to be covered by the CAP. The likely impact on U.S. exports to the CAP was alarming, and the United States subsequently sought guaranteed access to the EC market as its then export level for products affected by the CAP’ (Swinbank and Tanner, 1996: 11). During the Kennedy Round of multilateral trade negotiations the USA had to exert enormous pressure on its European trading partners in order for them to welcome the American viewpoint. As Baldwin (1995: 342) has argued, ‘US trade officials threatened to call off the negotiations unless the EC accepted the American proposal for a substantial, across-the-board tariff-cutting rule. Members of the Community had regained much of their economic vitality and the United States wanted economic payment for its earlier unreciprocated concessions and its willingness to support a customs-union arrangement that discriminated against the United States’. By the time of the Kennedy Round in the early 1960s the level of protection was substantially reduced but increasing import pressures began to erode support for the GATT (Evans, 1971). In fact, to borrow from McGuire and Smith (2008: 79), ‘American managers found it more convenient to blame the unfair practices of foreigners rather than look at their own companies’ performance’. In spite of this, as Mastanduno (2009: 122) has put it, the USA was still able to ‘dictate the terms of adjustment’ because it guaranteed security to its partners and there was lack of an alternative to a US backed international economic system.

Against this background, the rest of the chapter is structured as follows. Section 5.2 deals with the neorealist claim that the post-Cold War era would witness the emergence of alternative sources of economic power which would contribute to further undermine the USA’s abilities to lead the multilateral trading system. The section also pursues the goal of
establishing the overall context in which the steel dispute would take place. Although the end of the Cold War left the USA free to pursue its own economic agenda timely structural challenges arose and contributed to put US ability to influence the international economy at stake. The section explains that this pattern can arguably be more clearly observed in light of the 9/11 terrorist attacks as US economic growth started to slow down and economic powers such as the EU, China and to an extent, India and Brazil became increasingly assertive actors within the international economy. In light of this, the rise of challenges to the economic power of the USA was not the immediate result of the structural change caused by the end of the Cold War as neorealism would have predicted. Moreover, the section puts the creation of the WTO and the relationship between the EU and the USA within its perspective. It contends that the EU and the USA share an enormously important trade relationship and they can be considered as equal under the WTO where their capacity to influence other members has much decreased. Moreover, the extent to which their economic interests have collided has only the more increased in the 1990s. Section 5.3 delves into the soft balancing claim that the EU has used an international institution in order to entangle US economic power in the case of the EU-USA clash over steel in 2002/03. It begins by arguing that the steel sector remains vital for both the EU and the USA though it has become more and more competitive during the 1990s. Accordingly, the Euro-American partners have sought to adjust themselves to the changes within the steel trade. Following on from that the section undertakes to highlight how the steel row between the EU and the USA took place. In particular, it asserts that imposing the steel tariffs came as a result of multiple factors. Precisely, these were the structural challenges to the competitiveness of domestic US steel industry, the downturn of the US economy at the end of the 1990s and the steel lobby’s loud calls for protection. In this context, Bush was determined to raise the steel tariffs in order to increase his chances to win a second mandate. The steel dispute was successfully resolved with the EU’s attempt to
entangle the USA within the WTO and successful response to the US unilateral steel tariffs. This suggests, overall, that the EU exploited an opportunity offered by changing structural economic conditions. Interview evidence suggests that the European Commission was remarkably concerned with Bush’s attempt to distort international trade and was determined to prove US tariffs were illegal (Interview 13,14,15).

5.2 US ECONOMIC INFLUENCE IN THE POST-COLD WAR PERIOD: STRUCTURAL CHALLENGES

With the end of the Cold War, the economic project of the USA to promote liberalization did not change (Cohen, 1997; Ferguson, 2004). As a matter of fact, the advent of unipolarity provided the USA with compelling incentives to pursue its economic agenda ‘far more aggressively than it had in the past’ (Mastanduno, 2009: 113). Besides, the collapse of communism and the US victory of the Cold War led to a reinforcement of the belief that there was no real alternative to free markets and liberalization (Bernstein, 2008). The conviction that all of this was possible was backed up by the fact that the US economy started to grow at a significantly high rate in the early 1990s, a spectacular amount of jobs became available and US firms made huge profits (McGuire and Smith, 2008). As Treverton (1998: 152) reminds us, American productivity grew twice as fast during the early 1990s as its ‘yearly average for 1973-90’. This happened to coincide with the fact that Japan, which had been the US main economic competitor during the 1980s, struggled to grow (Lundestad, 2003; Kennedy, 1994).
Nevertheless, the catastrophic events of 9/11 dealt a serious blow to the impressive economic growth the USA had enjoyed in the aftermath of the Cold War (Zoellick, 2001). The USA remains a very important economic actor and it was able to recover from an attack of such magnitude however the number of challenges to the USA’s ability to promote and maintain a liberal trade regime have increased rather than decreased (Jackson, 2008).

For instance, the dollar has been the world’s main currency during the Cold War but in the post-Cold War period it has had to face a number of challenges which have contributed to undermine its supremacy (Eichengreen, 2009). Neither the German mark nor the Japanese yen had posed a serious challenge to the dollar’s pre-eminence in the 1980s (Kennedy, 1994; Wolf, 1995). Nevertheless, as the Maastricht Treaty was signed and the EMU was established a debate was triggered with regard to how long the dollar would manage to remain the world’s primary currency (Galati and Wooldridge, 2006; Posen, 2005). By 2005, the Euro had emerged as global alternative to the dollar just six years after its inception in 1999 and three years after the start of its circulation in 2002 (Posen, 2005). For instance, to draw on Mastanduno’s contribution, ‘the Euro’s share of global foreign reserves moved from 17.9 per cent in 1999 to 25.8 percent in 2006, while in the same period the dollar’s share dropped from 71 per cent to 64 per cent’ (2009: 150). OPEC members such as Iran and Venezuela have lobbied their partners to price oil in Euros rather than dollars. Furthermore, as Clark (2005: 28) has pointed out, prior to invasion ‘on September 24, 2000 Saddam Hussein emerged from a meeting of his government and proclaimed that Iraq would soon transition its oil export transactions to the euro currency’. The Euro has ‘taken the brunt of the dollar depreciation’, so that oil prices are perceived to be more stable in Euros than in dollars (Oystein, 2008: 15; Eichengreen, 2009). The share of the Euro as an international reserve currency has risen from about 18% in early 1999 to 26.5% at the end of 2007, whereas the
dollar share has declined from a peak of 71.5% in 2001 to about 64% (Walter and Becker, 2008). By December 2006, the Euro even superseded the dollar in the field of currency circulation (McGuire and Smith, 2008).

Secondly, the aggregate GDP of the EU has gradually superseded the American one in the post-Cold War period. Data from CIA World Factbook (2007) show that although the economies of countries like China and India are growing at a fast rate, the US remains the nation with the highest GDP in the world – and by far: US GDP is projected to be $13,220 million in 2007 which is almost as much as the economies of the next four (Japan, Germany, China, UK) combined. Statistics from the World Bank (2008) also highlight US GDP was the highest in the world in 2008 with $14,093,310 million again being by far higher than the next four economies (Japan, China, Germany, France) together. Estimates from the International Monetary Fund (IMF1) on the advanced world economies draw attention to the fact that the USA’s GDP amounted to $13,178.350 million in 2006 with the next two biggest economies Japan ($4,377.052) and Germany ($2,914.988) quite far behind. Further data from the IMF (IMF2) on US GDP growth from 1990 to 2006 evidence how this constantly grew from $5,803.075 million in 1990 to $13,178.350 million in 2006. However, looking at the same indicators but applying them to the EU it can be evinced that US GDP is no longer the highest. In fact, data from IMF evidence how EU GDP grew from $7,123.619 million in 1990 to $14,676.350 million in 2006.

Furthermore, the integrated EU market has also gradually become as indispensable an engine of global economic growth as the American one, if not even larger (Mastanduno, 2009). As the EU is clearly a major force in international trade, the reduction in the EU’s market share of world trade is relative, given that whilst its figures fell from 19.3% over the 1991-95
period to 18.4% in 2002, the falls experienced by its main competitors were greater. Over the same period, the US share went down from 15.1% to 12.1% and Japan’s from 12.2% to 8.2% (European Commission, 2002). As this data shows, with the 2004 enlargement the EU became both a very important trading bloc and also the USA’s most important trading partner (Meunier and Nicolaïdis, 2006). Furthermore, the EU has become, post 2004 enlargement, ‘the world’s largest trader of services (27.8 per cent of the world’s exports and 25.1 per cent of the world’s imports in 2004) and one of two giants in the trade of goods’ (Meunier and Nicolaïdis, 2006: 908).

The rise of other important engines of economic growth has also contributed to erode the certainty that the USA could lead a liberal trade regime. For instance, since 2001 the USA has accounted for a mere 13% of global real GDP growth and the real driver of the world economy has been Asia having accounted for over half of the world’s growth since 2001 (The Economist, 2006). China has particularly become a very influential actor in the world economy (Pomeranz, 2001). WTO Director General Pascal Lamy (2005b), in a speech on 15 September 2005, stated that ‘China has achieved what many developing countries aspire to achieve: a stable economic growth and an attractive base for foreign investment. China became a WTO member on 11 December 2001, just a few weeks after the launch of the Doha Development Agenda negotiations’. Statistics from the WTO (2005) evidence how ‘China’s share in world merchandise trade more than doubled over the last decade and exceeded 6 per cent in 2004…A closer look at China’s merchandise trade returns a unique feature: China reports sharply rising imports from China, a trade flow which accounted for nearly 7 per cent (or $38.7 billion) of its merchandise imports in 2004. These imports consist of products which have been produced or manufactured wholly in China and have not undergone substantial transformation abroad after being exported’.
Brazil has also advanced out of the third world. Drawing on Khanna’s contribution, almost half of Brazilian’s exports are now directed to the third world and important summits ‘to increase trade with China and Arab nations’ are hosted in Brazil (2008: 155). In 2007 Brazil’s exported merchandise was worth $161 billion. With imports accounting for $127 billion, it recorded a positive trade balance of $34 billion. Since 2000, Brazil’s exports have grown at an annual average of 17 per cent (WTO, 2007). Specifically, as Khanna (2008: 155) puts in evidence, ‘Brazil and China’s evolving “strategic alliance” is an illustration that America no longer has any ‘automatic allies in the geopolitical marketplace and that second-world countries can cooperate to keep one another balanced even as they compete’.

The important rise of India as an independent economic power also deserves mention. As Ganguly (2006: 48) asserts, despite a dramatic rise in oil prices in 2005/06 with India being dependent on external sources of oil, ‘India registered its highest ever GDP growth rate in the final quarter of 2005, reaching a projected annual rate of 8.1 per cent’. Moreover, WTO statistics on world trade from 2007 evidence that India’s merchandise exports ‘reached $145 billion in 2007, growing at an annual average of 19 per cent since 2000’ and its merchandise imports grew from 0.9 % to 1.6% from 2003 to 2007.

Neorealist scholars claim that economic growth provides a country with a rise in political leverage and influence (Mastanduno, 2009; Wohlfarth, 1999). As Walt (2005: 33) has asserted, the US economy ‘still depends far less on others than they depend on it’. However, it is necessary to underline that the US economy became more dependent on the outside world than it was before the end of the Cold War. In the post-Cold War period, the rise of competitors to the USA in economic terms has contributed to undermine the US’ ability to shape and to fix the global economy. Its political leverage in the international political
economy has subsequently diminished too. As Mastanduno (2009: 154) succinctly puts it, ‘the United States no longer enjoys the Status of single superpower in the world economy…the post-Cold War U.S. economy has less autonomy and more vulnerability’.

5.2.1 The creation of the WTO

Having discussed the structural challenges to the USA’s ability to lead a multilateral trade regime in the same way it was able to do in the aftermath of WWII this section undertakes to provide an analysis of the creation and functioning of the WTO in the post-Cold War period. The creation of the WTO as a member-driven organization is important to mention because it will allow appreciating how the steel dispute was ultimately resolved.

The WTO was created during the Uruguay Round (1986-1994) of multilateral trade negotiations and under strong US support (Faini and Grilli, 1997). The WTO was officially established with the Marrakesh declaration of 15 April 1994 which stated ‘Ministers…welcome the global reduction by 40 per cent of tariffs and wider market-opening agreements on goods, and the increased predictability and security represented by a major expansion in the scope of tariff commitments, and the establishment of a multilateral framework of disciplines for trade in services and the protection of trade-related intellectual property rights, as well as the reinforced multilateral trade provisions in agriculture and in textiles and clothing…Ministers affirm that the establishment of the World Trade Organization (WTO) ushers in a new era of global economic cooperation, reflecting the widespread desire to operate in a fairer and more open multilateral trading system for the benefit and welfare of their peoples. Ministers express their determination to resist protectionist pressures of all kinds’ (WTO, 1994). Up until the WTO officially commenced
on January 1, 1995, the trading system among states had worked without a multilateral or fully-fledged international organization (Krueger, 1998). The GATT had contributed to reduce visible tariff walls on goods but it did not have the international standing or binding rules of the IMF or the World Bank (Billiet, 2006; Esserman and Howse, 2003). The GATT arrangement was subsumed by the WTO which, in turn, amplified its remit beyond trade in goods; it now covers ‘hard things’ such as trade in services, telecommunications, standards, intellectual property and agriculture (Treverton, 1998: 64).

As Damro (2006: 977) explains, ‘unlike UNCTAD and the OECD, the WTO is a binding venue’ (Damro, 2006: 977). Its rules are binding on its 153 members and its dispute settlement system has been complemented with the ‘authorization of retaliatory trade measures’ against member not complying with WTO Appellate Body’s decisions (De Bièvre, 2006: 855). Once signed, these agreements provide the legal ground for trade within a multilateral framework and all members ought to adhere (Mahncke, 2004; Jawara and Kwa, 2003). Each WTO member can take part in all bodies comprising the multi-faceted structure of the organization except the Appellate body, dispute settlement panels and pluri-lateral committees. Figure 5.1 presents the organization chart of the WTO.
Each member of the WTO, regardless of the size of its economy, is entitled to one vote with the General Council being composed of representatives of all the members (WTO, 1994). As Lamy (2005) points out, ‘the basic value underpinning the WTO is that market opening is good…but the WTO’s trading system offers more than that. It helps to increase efficiency and to cut costs even more because of important principles enshrined in the system such as non-discrimination (trade from all Members is treated alike), transparency (clear information about policies, rules and regulations); increased certainty about trading relations (commitments to lower trade barriers and to increase other countries’ access to one’s markets are legally binding)’.
The inclusion of the new issues of services and intellectual property to the old trade agenda during the Uruguay Round and their subsequent underpinning by the WTO means that trade policies became more inclusive (Correa, 2000). Politics has a bigger role to play here because potential losers from free trade are no longer special interest groups but, as Meunier (2000: 105) has put it, global causes such as ‘the environment, democracy and human rights’. The framing of a multilateral trade agenda which includes behind the borders issues has also brought about the entry of a range of new domestic actors in trade politics. For instance, these include parliaments, non-trade ministries, and a diverse array of non-governmental organizations (NGOs) (Young and Peterson, 2006). A more widely-encompassing trade agenda under the WTO thus greatly increased the potential effect of trade negotiations on people’s lives as far as employment, incomes and prices were concerned but also with new measures affecting trade in services such as ‘health, education, water and sanitation’ (Jawara and Kwa, 2003: 3).

The EU was especially interested in calling for negotiations on international regulatory agreements to take place in the WTO and, since 1998, has especially been vocal in calling for a further multilateral round of negotiations to include areas such as ‘competition policy, environmental standards, labour rights and investment rules’ (Young and Peterson, 2006: 795; De Bièvre, 2006). The EU, led by the Commission and backed strongly by the Council and the European business community, began to take over global leadership of multilateral trade policy just as ‘the WTO came into its own’ (Baldwin, 2006: 934; Sally, 2008). In trade policy, whether bilateral, regional or multilateral, Europe formally ‘speaks with one voice’ and negotiates through one agent, the European Commission, which speaks via its representatives on behalf of all EU members at key WTO meetings (Smith and Woolcock, 1994; Kahler, 1995). As Billiet (2006: 899) succinctly puts it, ‘the Commission is…the key
European player in the WTO, even regarding issues that are not exclusive EC competences’. Baldwin (2006: 928) suggests that trade policy can be seen as the most ‘federal’ of EU policies as it relies on the Community method by means of which the Commission has the monopoly of initiative and the Council adopts qualified majority voting with an active role played by the EP in co-legislation. Following Lamy (WTO, 2005), ‘If de facto the Commission began to participate in the GATT meetings etc…and de facto spoke for all EC states, it is only with the Uruguay Round that the European Communities became a formal WTO member, distinct from the EC states which are also WTO members. The legal trick was a simple footnote that stated that in case of votes, the Europeans would not have more votes than the number of states of the European Communities – even foreseeing the expansion of the EC’.

5.2.2 Transatlantic relations within the WTO: a vital but more complex relationship

This section makes the point that the EU and the USA continue to share a very important economic relationship whose extensiveness has only the more widened in the post-Cold War period. Yet, in spite of the fact that the transatlantic partners fully support the WTO, their influence within the institution has decreased and the WTO plays a very important role in fixing the economic disputes which arise among them.

The EU and the USA, as Hocking and McGuire (2002: 449) emphasise, ‘share the largest bilateral trading relationship in the world. Together, they account for some 45 per cent of global trade and 38 per cent of goods trade’. The interdependence between the economies of the EU and the USA has dramatically increased since the end of the Cold War (Smith, M.H., 2008). The EU and the USA remain ‘the largest trade and investment partners on earth’
They are also each other’s most important source for FDI (Kahler, 1995; Treverton, 1998). In fact, as Lamy has asserted ‘in 2000, the US accounted for three quarters of new foreign direct investment in Europe; while Europe invests more annually in Texas than Japan invests in the 50 states combined’ (EuropaWorld, 2003). Furthermore, data from 2004 emphasise that the EU held an estimated total of €702.9 billion in FDI in the USA, while the USA had €802 billion of investment stocks in the EU, this meaning that about two thirds of European and American companies’ investments flow into each side of the Atlantic (European Commission, 2008b; Hocking and McGuire, 2002). As far as the magnitude of the volume of trade in goods and services is concerned, trade between the EU and the USA amounted to €627 billion in 2004 (European Commission, 2008b).

Due to the magnificent size of the EU-USA trade relationship and despite the fact that ‘most trade and investment flows smoothly between these two important trade partners’ economic disputes between the two ‘titans’ ought to be expected (Hocking and McGuire, 2002: 449). As Busch and Reinhardt (2006: 446) remind us, a dispute is the result of a complaint in which formal GATT/WTO proceedings are ‘explicitly invoked, i.e., naming defendants and alleging the infringement of specific legal rights, most often in the form of an initial request for consultations’. In such disputes, as Busch and Reinhardt (2006: 446) continue, ‘one or more member governments – the complainant(s) – challenge a policy maintained by another government – the defendant – that allegedly contravenes WTO Treaty commitments’.

The need to prevent the rise of potential economic disputes between the USA and the EU was indeed the main motivation behind the launch of the New Transatlantic Agenda in 1995 (Pollack, 2003; European Commission, 1995). This document envisioned economics as the main engine of the evolving Euro-American partnership and set free trade as the utmost goal.
of Euro-American collaboration (Treverton, 1998). Nonetheless, in the post-Cold War period, as Pollack (2003: 68) puts it, ‘despite the obvious importance of the EU/US trade and investment relationship – or indeed because of it – economic disputes have been and remain an important feature of the transatlantic relationship’. Because of the gradual decline of tariffs and quotas as direct barriers to investment between the EU and the USA and the simultaneous increase in domestic regulation on both sides of the Atlantic ‘in response to concerns about the environment, consumer protection, public health and the like, the frequency of these new-style disputes has increased drastically during the course of the 1990s and early 2000s’ (Pollack, 2003: 68).

Since the establishment of the WTO there has accordingly been one trade battle after another and whenever a party felt threatened by another one there was always the risk that a trade dispute could arise (Mayer and Hoch, 1993; Abbott, 2003). A great part of the WTO’s work on dispute settlement focuses on trade disputes between the EU and the USA (Abbott, 2003). Data on WTO disputes sorted by member show that the EU and the USA have been involved, either as complainant or respondent, in far more disputes than the rest of the members of the WTO. In particular, the EU was complainant in 79 cases and respondent in 64; the USA was complainant 92 times and respondent in 106 (WTO, 2009).

Transatlantic economic disputes have not only been frequent but highly contentious (Kahler, 1995; James, 2001). Such disputes include, for instance, those over the foreign sales corporations, banana trade and hormone-treated beef (Hocking and McGuire, 2002; Pollack, 2003). Along with institutional changes on how to deal with new economic disputes and despite the EU and the USA remain key trading partners, the post-Cold War system has witnessed the rise of developing countries such as China, India and Brazil as major trading
states and, as McGuire and Smith (2008: 70) note, it is no longer the case for assuming that
the Euro-American economic partnership is central in ‘the conduct of commercial relations’.
Alternatively, as Sally (2008: 112) points out, with increasingly influential developing
economies such as India, China and Brazil, ‘the old understanding of an EU-US duopoly
driving the GATT/WTO enterprise no longer holds’. This is more evidence that the USA can
no longer act as the hegemon in the world economy (Hoekman and Kostecki, 1995).

The Euro-American economic partnership ought to be understood in terms of a changing and
fluctuating international balance. In fact, as McGuire and Smith (2008: 87) argue, there are a
high number of participants in economic governance, with the OECD having ‘assumed a key
role as a negotiating arena owing to the existence of its steel industry committee and previous
experience in developing pluri-lateral agreements in areas such as government corruption and
export credit finance. Talks are also held on a bilateral basis – either by special arrangement
or as part of the usual cycle of summit meetings held between Washington and European
capitals’. Thus, following Bergsten (2002: 87), ‘the advent of scores of additional members
has turned the WTO into an extremely unwieldy organization, pushing more and more
countries to turn to regional and bilateral deals instead’. In terms of the changing balance,
McGuire and Smith (2008: 88) contend that ‘85 members of the GATT launched the Uruguay
Round in 1986, and in Seattle in 1999 some 130 national delegations participated. On the eve
of the Doha meeting, the WTO could boast some 144 members and by the end of the
ministerial both China and Taiwan had been admitted as members’.

The WTO plays an essential role in dealing with trade disputes through the dispute settlement
mechanism. As Pollack (2003: 71) reminds us, this operates with ‘multilateral rules
governing the permissible use of tariffs, quotas, and other trade-restrictive practices; a forum
for consultation and, if necessary, litigation among the parties to a dispute before WTO panels and the Appellate Body’. To borrow from Billiet (2006, p. 901), the dispute settlement mechanism is ‘among the most highly legalized ones to be found in existing international agreements. It provides for a panel and an appeal procedure (the judges being independent experts in the field rather than diplomats from the Member States’ missions, there are strict timeframes for the different stages of the procedure, and – most importantly – dispute settlement reports are adopted unless there is a consensus against doing so (negative consensus). These are all fundamental changes with respect to how the GATT system operated’.

EU member states heavily rely on the Commission and its delegation in Geneva for dealing with WTO disputes (Interview 14). In fact, due to legal expertise and technical knowledge and the strengthened institutional framework put into place with the creation of the WTO, the Commission is well-placed to deal with disputes at the WTO level (Billiet, 2006). As Busch and Reinhardt (2003: 465) observe, ‘both sides of the Atlantic place a good deal of faith’ in the dispute settlement reforms ushered in by the Uruguay Round and embodied in the WTO’s Dispute Settlement Understanding (DSU). Indeed, it is widely argued that these reforms have dramatically increased the WTO’s capacity to resolve disputes, compared to the practices under the GATT and an increasing number of developing countries have used it (Damro, 2006; Sally, 2008). The previous GATT dispute settlement framework, first codified in a small annex to the 1979 Understanding on Dispute Settlement on customary practices, and played out by different rules across the different covered agreements (notably the Tokyo Round codes), lacked a consistent set of rules (Busch and Reinhardt, 2003; Hamilton, 2008). The DSB ‘monitors the implementation of rulings and recommendations, and has the power
to authorize one side to retaliate against the other when rulings have not been implemented’ (Jawara and Kwa, 2003: 16).

The WTO influences the EU in two ways (WTO, 2005). Precisely, as McGuire and Smith (2008: 73) assert, ‘first, it fosters the adoption of certain modes of behaviour; and second, the dispute settlement understanding is sufficiently robust to alter WTO member behaviour’. Furthermore, as Young (2000: 98) points out, ‘competence for many of the new trade issues is shared between the EU and the Member States’. The new trade disputes extend ‘behind borders’ in areas of domestic regulation and are therefore more politically sensitive than the traditional ‘at-the-border’ issues of tariffs and quotas (Young, 2000: 101). The EU-US dispute over hormones in beef is interesting in this regard. In fact, ‘influenced by public opinion, the EU in the 1980s banned the use of certain hormones in raising beef, even though the scientific case for doing so was equivocal. In 1998 the WTO’s Appellate Body upheld the US government’s challenge to the ban under multilateral trade rules. The EU, however, is reluctant to comply with the judgement, and the US has imposed sanctions’ (Young, 2000: 101).

The EU considers international regulatory matters as very important for its trade strategy (Falkner, 2007). Nonetheless, the fact that the EU has an executive and a two-chamber legislature with the Council of Ministers and the Parliament whereas decision-making in the WTO is based on intergovernmental negotiation does not imply ‘that the EU has actually been able to resolve all its conflicts over trade and regulation by political means’ (Holmes, 2006: 824). As a matter of fact, following Mahncke (2004: 619), ‘while most juridical systems are naturally characterized by the binding nature of their judgements, they usually address disputes between individuals or between individuals and states’. The WTO system is
different in that it only involves disputes between states, and this peculiarity may make binding arbitration problematic, even undesirable, ‘at times… EU representatives, asked after their victory against the United States in the steel case whether they would themselves adhere to upcoming WTO decisions in cases brought against the EU, were unwilling to give any definitive answer, just as the United States has been unwilling to abide by other WTO rulings’ (Mahncke, 2004: 619).

As a result, the international economic structure is one in which the US and the EU’s influence ‘has been diluted, both by an expanding membership and by procedures that do not favour large trading members. Unlike the IMF, for example, with its weighted voting, the WTO works on a one-member, one-vote system. To a much greater extent than in some other international organizations, both the US and the EU must work diplomatically to get their preferences accepted: simply outvoting other members is not an option’ (McGuire and Smith, 2008: 88).

5.3 THE STEEL DISPUTE: THE EU AS A SUCCESSFUL SOFT BALANCING ACTOR?

5.3.1 The enduring importance of steel for the transatlantic partners

The above sections served the purpose of setting the context for an analysis of the steel dispute between the EU and the USA. In so doing, it firstly argued that the post-Cold War system has witnessed the rise of important engines of economic growth which have eroded the US ability to lead a liberal trade regime in the same way it was able to do following WWII. For instance, the EU has emerged as a powerful alternative to the USA in the post-
Cold War period. Moreover, the context of the steel dispute is one in which both the USA and the EU became members of an international organization, the WTO, where their capacity to exert influence has diminished. This case study focuses on steel as the material that pitted which the EU and the USA against each other during the dispute which erupted in 2002/03. In this circumstance, nation-states such as the US, Germany, the UK and Belgium (among others) intimately got involved as states, but the importance of actors such as the European Commission as well as steel trade association on the other side of the Atlantic was pivotal. The purpose of this section is to highlight the enduring importance of steel for both the EU and the USA.

Steel is ‘understood to be a molten iron product containing varying amounts of carbon (up to 1.7 %) that without further treatment is malleable, i.e., can be shaped in a warm but firm state’ and it is a very central resource to people’s everyday life (Eggen and Sandaker, 1995: 30). For instance, it can be found in houses, cars and cans, ‘it is the high-strength, lighter-than-plastic frames for eye-glasses; it is the stronger, more durable frame in houses; it is the high-tech alloy used in the Space-Shuttles’ solid fuel rocket motor cases; and it is the precise surgical instruments used in hospital operating rooms’ (American Iron and Steel Institute, 2009). In fact, because of its elasticity, flexibility and re-usability, steel is the most useful basic material all over the world ‘with an annual production of around 1.3 billion tonnes in 2007’ (European Commission, 2009b). Steel remains an extremely important material for industrial development throughout the world (National Economic Development Office, 1986). It comes as no surprise that ‘steel is an internationally traded commodity, and its price is determined in a market far larger than the US import market’ (Crandall, 1986: 24). Steel industries around the world operate in a highly competitive and global market where rigorous cost management is imperative for maintaining and strengthening the industry’s
competitiveness (European Confederation of Iron and Steel Industries, 2000). In particular, the EU considers its industrial policy as key to meet the objective it set itself at Lisbon where the EU committed member states and the Commission to making Europe ‘the most competitive and dynamic knowledge-based economy in the world by 2010’ (European Commission, 2000).

Within the EU, each member state is a steel producer. The total aggregate EU production of steel in 2005 was 186.8 million tonnes with countries such as Germany, Italy, France Spain and the UK being major steel producers. Moreover, steel industries in the EU directly employ about 280000 people and their overall steel production represents more than 20 per cent of world production (European Confederation of Iron and Steel Industries, 2000). Steel was at the base of the first European integration effort in 1951 with the creation of the ECSC (Smith, M.H., 2008). On that occasion, former war adversaries Germany and France wanted to prevent any likely possibility of war in the future by granting full power to a new supranational organization for coal and steel which had been two important wartime production industries (Dinan, 2005). Since that event took place, the European Commission has been the key actor to attempt to solve the steel crisis the EC/EU experienced (Conrad, 2003). In fact, together with the European integration process, the European steel industry has undergone profound structural changes since the early 1960s. To draw on a report from the National Economic Development Office, by 1974 ‘Western Europe was the biggest steel producing region with Belgium, France, West Germany, Italy and the UK being the major countries. Elsewhere the United States (132 million tonnes mt), the USSR (136 mt), Brazil (7 mt), Japan (117 mt) and Australia (8mt) dominated their regions’. Figure 5.2 presents data on crude steel production by process in 2005 as exemplified by a report by the World Steel Association published in 2006.
Figure 5.2 Crude steel production by process 2005

<table>
<thead>
<tr>
<th>Country</th>
<th>Production (mmt)</th>
<th>Oxygen %</th>
<th>Electric %</th>
<th>Open Hearth %</th>
<th>Other %</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>7.0</td>
<td>91.1</td>
<td>8.9</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Belgium</td>
<td>10.4</td>
<td>74.6</td>
<td>25.4</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>6.2</td>
<td>91.0</td>
<td>9.0</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Finland</td>
<td>4.7</td>
<td>70.0</td>
<td>30.0</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>France</td>
<td>19.5</td>
<td>62.5</td>
<td>37.5</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Germany</td>
<td>44.5</td>
<td>69.3</td>
<td>30.7</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Hungary</td>
<td>2.0</td>
<td>83.8</td>
<td>16.2</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Italy</td>
<td>29.3</td>
<td>39.9</td>
<td>60.1</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>2.2</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>6.9</td>
<td>98.0</td>
<td>2.0</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Poland</td>
<td>8.4</td>
<td>59.1</td>
<td>40.9</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Slovakia</td>
<td>4.5</td>
<td>91.9</td>
<td>8.1</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Spain</td>
<td>17.8</td>
<td>24.5</td>
<td>75.5</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Sweden</td>
<td>5.7</td>
<td>68.9</td>
<td>31.1</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>13.2</td>
<td>79.6</td>
<td>20.4</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>Other EU</td>
<td>4.2</td>
<td>-</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
<tr>
<td>European Union (25)</td>
<td>186.8</td>
<td>61.2</td>
<td>38.8</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Steel has historically been an extremely important sector for the US economy as well. In fact, as Lawrence and Dyer (1983: 66) remind us, the US steel industry had reached maturity by 1930 as ‘the world’s largest producer and exporter of steel’ as ‘American steel could be found in products the world over, from the thinnest paper clip to the mightiest suspension bridge’. US steel continued to dominate globally up until 1959 when, for the first time, steel imports into the US exceeded exports; thus, as Crandall (1986: 19) reminds us, ‘ever since the 1959 strike, the US steel industry has kept a wary eye upon imports’. This situation brought about an increase in steel-mill prices of products from 1975 to 1977 ‘while world export prices stagnated and even declined. The obvious result of this development was a
surge of imports into the United States, first from Europe and Japan, and later from Canada
and the developing countries’ (Crandall, 1986: 19). Since then, beset by rising costs of labour
and a failure to trim excess costs, capacity and to update technology, non-US producers have
captured increasingly large shares of both US and global markets (Lawrence and Dyer,
1983). The USA responded to a situation of increasing competitiveness by starting to protect
its steel industries. As Conrad (2003: 150) argues, ‘the American steel industry has enjoyed
almost constant protectionism for 25 years. Until 1982 steel imports were controlled by
voluntary restraint agreements (1969-1974) and a system of import controls known as the
trigger price system (1978-1982). In 1982 integrated steel producers filed 132 anti-dumping
and anti-subsidy complaints. This was the largest number of claims that had ever been
brought at one time’. However, the American government was able to persuade the steel
producers to withdraw their actions ‘by negotiating voluntary restraint agreements with the
major importing countries’ (Conrad, 1995: 150). Nowadays, although in economic terms the
US steel industry is clearly a ‘pipsqueak’ as it employs fewer than ‘200,000 people in an
economy with 140 million workers, politically, it is still a ‘bruising heavyweight’ (Lindsey,
2001). In particular, as Lindsey (2001) argues, ‘the Congressional Steel Caucus – which
boasts 100 members in the House and 33 in the Senate – is a ferocious advocate of steel-mill
and steel-union interests. The administration needs many of those votes if Trade Promotion
Authority (TPA) is to pass and getting at least some of them will be easier if the White House
gives the steel lobby what it wants. And what it wants, plain and simple, is protectionism’. It
therefore comes as no surprise that ‘half of all US anti-dumping investigations involve steel’
(Mahncke, 2004: 616).

Introducing punitive duties to reduce competition from imports already seemed to be the only
way to increase prices on the American steel market. As Conrad (1995: 151) asserts, ‘as a
result of the duties imposed, imports of steel into the USA fell by 45% between January and February 1993 and imports of European steel fell by as much as 48%. Moreover, although US integrated steel producers experienced difficulties at the beginning of the 1990s there were few redundancies and, ‘secondly, that by the time of the final determination of injury the position of the integrated steel producers had improved considerably as a result of the increase in international demand for steel’ (Conrad, 2003: 156). In sum, following Crandall (1986: 27) ‘restructuring of the steel industries of Europe and the United States is not simply a matter of reducing capacity, but rather of being able to supply at competitive prices the steel that the market will demand in the foreseeable future’.

5.3.2 The importance of alternative steel producers

Though the USA and European countries are long-lasting steel producers, this section shows that in recent years competition at the international level as far as steel trade is concerned has only the more increased. From the beginning of the 1990s steel trade changed dramatically with the Chinese steel boom, the creation of new steel poles such as Brazil, India, Korea, Australia and South Africa and the opening of former USSR satellite states to export (Schuler, 1996). In fact, data from the International Iron and Steel Institute highlight that countries such as China and Japan have overcome the USA and major European countries in steel production. This is showed by figure 5.3 which presents data on steel production for the years 2004 and 2005.
Figure 5.3 Major steel-producing countries in 2004 and 2005 (million metric tons crude steel production)

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Developing economies such as the Chinese and the Indian ones considerably increased their steel production compared to the US and EU’s important steel producers such as the UK, Germany and Italy. Another set of data from the European Commission highlight that the EU is the second largest producer of crude steel, producing 210 million tonnes in 2007 (16% of world production). China was the world’s ‘largest producer in 2007 with 485 million tonnes (37% of world production), followed in third place by Japan with 120 million tonnes and the USA with 97 million tonnes…since 2003, world steel markets have been buoyant, powered by strong demands from developing countries, especially in Southeast Asia, and China in particular’ (European Commission 2009b). As a result, prices of steel products and of raw materials have increased significantly. Furthermore, China, Japan, the United States, the EU and the CIS account for about three quarters of world crude steel production. Major exporters are the EU, the CIS, Japan, the Republic of Korea, and Brazil whereas major importers include the EU, the United States, and China (United Nations, 2009). Furthermore, to draw on statistics published by the WTO in a report on trade by sector in 2000 and visible in figure 5.4 it is possible to note how countries such as Japan, Germany, France, Belgium and the Republic of Korea, followed by Italy and the USA, have maintained a high share in world exports and imports of iron and steel from 1990 to 1999. Nevertheless, the annual percentage of their share has dramatically decreased over the same period. For instance, Germany’s annual percentage of share decreased by 20%.
Figure 5.4 Leading exporters and importers of iron and steel in 1999 (Billion dollars and percentage)

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In particular, developments in the Chinese economy have greatly affected the steel market. Data from MEPS Ltd, a leading consultancy company operating in the steel sector worldwide, highlight that from 1998 to 2008 Chinese consumption of steel has increased from 122.6 to 322.0 million tonnes (2008). The period of very high prices, starting in 2001 and ending in 2004, was caused by rapidly rising demand, rising prices of raw materials used in steel production, and transport costs (United Nations, 2009). World steel production has been increasing since 1994, and since 2001 the growth rate has accelerated. In 2004, production crossed the threshold of 1.0 billion tonnes for the first time ever. Three countries (China, Japan and the USA) and two regions (EU-25 and the CIS) account for about three quarters of world crude steel production (United Nations, 2009). Since the early 2000s, China has been the major driver of growth in steel consumption in the world. Due to the rapid growth of its economy, demand for steel has increased at very high rates (United Nations, 2009).

5.3.3 Bush and the emergency steel safeguard measures

As highlighted above, the overall context in which the USA imposed the 2002 steel tariffs is complex. Both the EU and the USA consider steel as a very important resource. The rise of competitors and alternative steel producers together with the declining of international competitiveness of the US steel industry during the 1990s arguably prepared the ground for the most significant series of restrictive trade measures on US steel imports (Read, 2005). This section discusses Bush’s ultimate decision to impose the emergency steel safeguard measures.

In the midst of an increase of international competition, the US economy experienced recession from March 2001 to November 2001 (USITC, 2002). US President George W.
Bush did not, however, lose faith in the importance of open trade as he highlighted in a speech before the Council of the Americas on May 7, 2001 that ‘open trade is not just an economic priority, it is a moral imperative’ (Lindsey, 2001). Nevertheless, US Trade Representative Robert Zoellick launched a Section 201 investigation in June 2001 to verify whether there was a correlation between the difficulties encountered by the US steel industry and the rise of foreign imports (Read, 2005).

As Ikenson (2006: 3) points out, ‘by 2001, the U.S. steel industry as a whole was bleeding red ink. Operating profits had declined from 3.4 per cent in 1999 to 2.8 per cent in 2000 to -2.2 percent in 2001. As a result, 8 steel producers accounting for nearly 20 million net tons of production capacity (about 20 percent of total U.S. capacity at the time) filed for bankruptcy that year. During 2002 and 2003, the trend of failures continued: 10 more producers, accounting for another 21 million net tons of capacity, filed for bankruptcy’. The main result of the investigation was that 85 per cent of the steel imports were causing serious injury, US steel prices were found at 20 year lows and around 30 per cent of the industry (by capacity) was in bankruptcy with accumulating losses (USITC, 2001). The products which were found responsible for causing serious injury, as Read (2005: 2) stresses, ‘comprised some 60 per cent of EU exports of steel and steel products to the United States, worth a total of $4 billion’.

In responding to the results of the investigation, on March 5, 2002 Bush announced the unilateral imposition of a combination of up to 30 per cent tariffs and some tariff quotas, effective for three years from March 20 (Read, 2005; Bergsten, 2002; CRS Report for Congress, 2005). Bush’s decision to raise temporary steel tariffs on imported steel on March 5, 2002 was a reaction to the fact that the US steel industry had undergone a period of rapid decline. In an official statement at the White House Bush decided to impose unilateral steel
tariffs with the following words: ‘steel prices were at 20-year lows, and the U.S. International Trade Commission found that a surge in imports to the U.S. markets was causing a serious injury to our domestic steel industry. I took action to give the industry a chance to adjust to the surge in foreign imports and to give relief to the workers and communities that depend on steel for their jobs and livelihoods’ (US Mission to the European Union, 2003).

The US emergency safeguard measures on steel represented the apex of multiple and interconnected factors. Firstly, the structural challenges to the competitiveness of domestic US steel industry. Secondly, the downturn of the US economy at the end of the 1990s and, thirdly, the steel lobby’s loud calls for protection. To quote a WTO official, whereas in the EU it is precisely the Commission that deals with trade issues, exactly the contrary happens in the USA where the trade issues are dealt with by the Senate (Interview 14). Each senator, in turn, represents the trade interests of his/her country of origin. In short the WTO official pointed out that the main reason why the dispute arose has to be seen in the ‘American way of doing politics’ (Interview 13). Nevertheless, there is another factor which deserves attention before analysing the EU’s response to the steel tariffs which will allow testing the soft balancing proposition. Namely, the political advantage Bush could obtain from the steel tariffs. In fact, rust belt states with beleaguered steel industries such as Michigan, Pennsylvania and West Virginia would benefit from the tariffs (Interviews 13, 14, 15). Precisely, tariffs were imposed on 14 types of imported steel products to be phased out over three years to aid steel producers in Pennsylvania, West Virginia, Ohio and Michigan. These were all swing states for the 2004 American presidential election (Bergsten, 2002; Cox, 2003; Mahncke, 2004). Subsequently, the White House was interested in protecting its battered steel industry (Knowlton, 2002; Mowle, 2004). As Murray (2002) reminds us, Bush seemed to blame foreign competition and cheap imports for 31 bankruptcies since 1997 and for the
46,000 steelworkers who had lost their jobs since July 1998. This practice was not entirely new as Ikenson (2006) asserts that ‘blaming unfair import competition for its woes has been a staple of the U.S. steel industry’s public relations machine for several decades’.

Bush went further than his predecessor Clinton who had stood up to the steel industry pressure and refused to initiate a Section 201 case (Lindsey 2001; Westbrook 2002). In fact, as an official at the DG Trade in the European Commission pointed out, due to the fact that the US steel industry has been shrinking over at least the past 20 years, the Commission had expected US safeguards much earlier than 2002 (Interview 18). As Lindsey explains, under Section 201 of the U.S. trade law, ‘if the U.S. International Trade Commission finds that increased imports are causing “serious injury” to a domestic industry, the president can impose temporary trade barriers – including quotas – without violating WTO rules’ (2001). Again, however, by introducing steel tariffs Bush seriously risked undermining 50 years of free trade agreements and, following Brad Smith’s interpretation, this was a clear step back to the protectionism of the 1920s and 1930s (2002). Nevertheless, on the basis of Griswold’s analysis, blaming cheap foreign imports for the steel crisis was largely unjustifiable (1999).

Furthermore, this example is illustrative of the tension between declining comparative advantage of a key US industrial sector and the rules established by the WTO to regulate world trade. Thus, the EC took a much different perspective on the state of the US steel industry: ‘The US frequently attributes its industry’s difficulties to competition from subsidized imports and opposes the financing of new plants by international lending organizations such as the World Bank. In fact, rather than merging and cutting capacity like the EU…American firms increased capacity…the expansion of the mini mill sector in the USA has been encouraged by subsidies from state and local community levels. As a result,
the 1990s have not only confirmed the decline of the integrated part of the US steel industry. In spite of the longest period of US economic expansion, booming steel demand, and, on average, high price levels, most integrated mills have been unable to make sufficient profits to invest adequately in modern new facilities, reduce costs, and be competitive enough to withstand difficult market conditions. Furthermore, they have significantly lagged behind their EU and Japanese competitors in spending on research and development, one of the keys to future competitiveness’ (European Commission, 2001). From a European perspective the US steel industry had declined in comparative advantage and the imposition of steel tariffs was an attempt to unfairly distort the world steel market to preserve an inefficient and unprofitable industrial sector. To quote an official at the European Commission, Brussels was ‘utterly astonished’ with President Bush’s decision to raise the steel tariffs (Interview 18). Moreover, the Commission showed ‘unprecedented unity’ and Pascal Lamy’s guidance was important in order to coordinate a common response to Bush’s tariffs. In fact, it was essential to deal with dispute as fast as possible because the US safeguard measures would last three years (Interview 18).

5.3.4 The EU response and the resolution of the dispute

The EU was able to introduce a very similar measure to the US by appealing to the WTO (Mahncke, 2004). By the time of the resolution of the dispute it was quite clear that both sides were looking at the WTO in a different vein. The EU looked at the WTO as the venue in which the dispute would be resolved. In particular, the steel dispute would be one of the fastest disputes to be resolved as the EU was ready to impose sanctions of up to $2 billion targeting the USA (Interview 3). The USA took the risk of being exposed to a very likely
defeat within the WTO, which has proved to be the only international institution to be able to influence them (Interview 3).

On March 7 2003, the EU requested consultations with the USA regarding the definitive safeguard measures imposed by the US in the form of an increase in duties on imports on certain flat steel, hot-rolled bar, cold-finished bar, rebar, certain welded tubular products, carbon and alloy fittings, stainless steel bar, stainless steel rod, tin mill products and stainless steel wire. The EU considered that the US steel tariffs were ‘in breach of US obligations under the Agreement on Safeguards and GATT 1994 and in particular articles 2.1, 2.2, 3.1, 3.2, 4.1, 4.2, 5.1, 5.2, 7.1 and 9.1 of the Agreements on Safeguards and Articles I:1, XIII and XIX of GATT 1994’ (WTO, 2009). The reaction to Bush’s steel tariffs then spread to Japan, China, South Korea, Switzerland, Norway, Australia, New Zealand and Brazil which all joined the EU in challenging the President’s steel tariffs and appealed to the WTO (Vieth, 2002; WTO, 2009). Subsequently, the EU managed to build an alliance with other countries damaged by the US action. Within a few days the EU lodged a complaint with the WTO ‘alleging that such tariffs were illegal’ (Mahncke, 2004: 615). Under WTO rules, the EU (and other countries whose steel exports reduced because of the US tariffs) were entitled to impose retaliatory tariffs equal to the amount of damage the illegal US tariffs caused to its industries (Hufbauer and Goodrich, 2003). Furthermore, as US President Bush and European Commission President Romano Prodi indicated that the two sides were no nearer accord on defusing the angry dispute over US steel tariffs announced by Bush in March, the EU decided to take its retaliatory measures one step further (Knowlton, 2002).

Hence, the EU targeted American products from citrus to textiles that are produced in a range of states (swing states) that Bush and Republicans were counting on for victories in the fall
congressional elections and Bush’s re-election bid in 2004. Unless Bush would lift the steel tariffs the EU was determined to carry on with its initiative (Cox, 2003; Knowlton, 2002). The European Commission singled out a list of tariff targets which included orange juice from Florida, steel from Pennsylvania and West Virginia, textiles from the Carolinas and even motorcycles made by Wisconsin-based Harley-Davidson Inc. (Smith, B., 2002; Vieth, 2002). As Lamy pointed out after the bloc’s executive discussed emergency measures, ‘Our analysis is…that this U.S. decision is political, without any legal or even economic foundation’ and the U.S. plan for steel tariffs was described as ‘blatant protectionism’ (Murray, 2002; Winestock, 2002). Latterly, the EU’s retaliation measures were $2 billion worth of tariffs on various U.S. goods manufactured in swing states in the 2001 presidential elections (Interview 13). As Winestock (2002) argues, steel lobbyists in Washington ‘scoffed at the idea of the EU using the WTO’s decision as leverage to influence Bush’s decision. “This is a threat without teeth”, said attorney Roger Schagarin…Bottom line: the EU is acting foolishly by threatening everything to no end’. This could be seen as hegemonic behaviour in light of the fact that the USA was contravening its neoliberal free trade doctrine and was threatening a trade war having previously championed neoliberal market disciplines and openness to US capital (Anderson, 2003).

However, what is interesting to note here is that the WTO’s final decision was against Bush’s decision to raise tariffs. In fact, as stated in the panel report of the WTO Appellate Body, ‘On 10 November 2003, the Appellate Body Report was circulated to Members. The Appellate Body upheld the Panel’s ultimate conclusions that each of the ten safeguard measures at issue in this dispute was inconsistent with the United States’ obligations under Article XIX: 1(a) of the GATT 1994 and the Agreement on Safeguards. The Appellate Body reversed the Panel’s findings that the US failed to provide a reasoned and adequate explanation on “increased
imports” and on the existence of a “causal link” between increased imports and serious injury for two of the ten safeguard measures. Ultimately, however, even these measures were found to be inconsistent with the *WTO Agreement* on other grounds’ (WTO, 2009). As President Bush faced WTO’s unfavourable ruling and the EU’s threat to impose tariffs on a range of products in states which were very important for Bush’s re-election bid, steel tariffs were eventually removed in December 2003 (Mahncke, 2004: 615; US Mission to the European Union, 2003). As it could have been discernible, the USA trade representative Robert B. Zoellick admitted how domestic politics had also played a key role behind Bush’s decision to raise the steel tariffs (Rich, 2002).

5.4 CONCLUSION

This chapter applied the neorealist and soft balancing propositions to the economic dimension of transatlantic relations in the post-Cold War period. In particular, it tested the neorealist proposition that the EU would emerge as a powerful trading bloc capable of competing with the USA in the post-Cold War era. In so doing, the chapter traced the structural challenges which undermined the USA’s ability to create and lead a multilateral trade regime in the same way it had been able to do following WWII. Subsequently, it scrutinised the soft balancing claim according to which the EU would seek to hinder American economic power through an international institution by looking at how the EU-USA steel dispute originated and was resolved. The analysis conducted in this chapter would, at first, point to a partial validation of both the neorealist and soft balancing theoretical slants.

To start with, why would the neorealist rebuttal partially be validated? The EC had already developed as a powerful economic bloc during the Cold War. In the post-Cold War period it
became an even more assertive economic actor. From the Maastricht Treaty signed in 1992 onwards it sought to bring its long-lasting integration project forward. In so doing, the EU increased its potential to be a powerful rival to the USA in economic terms. Nevertheless, the analysis conducted would still invalidate the neorealist paradigm. Firstly, the rise of the EU as a great power cannot be traced as a direct consequence of the end of the Cold War as the EU already established itself as a rival to the USA in economic terms during the Cold War. Secondly, the potential of the EU to supersede the USA became more intelligible in the aftermath of the terrorist attacks of 9/11 as the USA had to recover from an attack of such magnitude and was experiencing a considerable economic downturn. In fact, the EU was able to emerge as a powerful and potentially more assertive actor with a strong currency and with a higher aggregate GDP than the USA. However, this would seem to be the result of change both within the USA and the EU rather than the single consequence of structural change.

Secondly, why would it be possible to validate the soft balancing proposition in some measure too? The steel dispute took place in the aftermath of 9/11 as a result of different but complementing factors. Consequently, Bush believed he could protect the steel industries of key swing states in order to maximize its chances to be re-elected. The soft balancing theorists believe second-tier states deliberately embark upon strategies of containment of US power when they perceive the unipolar’s leadership is aggressive. This might, in time, lead to more hard balancing responses. The chapter found that the EU successfully tamed Bush’s unilateral decision to impose the steel tariffs. It did so by entangling US power within the framework of the WTO which was created in the post-Cold War period. Interview evidence showed that this dispute created an enormous deal of diplomatic wrangling between the EU and the USA. However, it also showed that the EU responded to US power in a very pragmatic and ultimately decisive way. It was more problematic to find evidence that the
EU’s willingness to challenge the USA was in response to a deliberate plan to frustrate American economic power. The EU had not calculatingly set forth to contain the aggressive and unilateral decision by the Bush administration but was able to use the WTO as the venue in which such dispute would be resolved.
CHAPTER 6

CONCLUSION

6.1 INTRODUCTION: REVISITING THE RESEARCH DESIGN

The goal of this thesis has been to pursue the critical evaluation of the neorealist and soft balancing propositions against transatlantic relations in the post-Cold War period. It sought to accomplish this by focusing on three compelling case studies, with each case study concentrating upon a separate dimension of power within transatlantic relations. More specifically, the military dimension was tackled through the EU’s gradual formation of its own military arm from 1991 to 2003, the diplomatic source of influence was represented by the EU’s involvement as a third party between the Israelis and the Palestinians from 1991 to 2003, and the economic attribute was assessed through the case study of the EU-USA steel dispute in 2002/03.

In the introduction to this thesis (Chapter 1), the main overall research question to be tackled was delineated, and for each study two further “sub-research” questions were then established.

1. Main research question: has the EU balanced the USA in the post-Cold War era as a result of structural incentives or as a consequence of deliberate planning?

Case Study 1:

The EU’s bid to develop military autonomy from the USA from 1991 to 2003:
1. Even in the absence of a clear Soviet threat, have European states managed to create the foundation for cooperation so as to respond to unipolarity?

2. Has the EU created ESDP in the post-Cold War period with the deliberate intention of providing an alternative to NATO?

Case Study 2:

The EU’s efforts to solve the Israeli-Palestinian conflict from 1991 to 2005:

1. Why did the EU play a more assertive role in the Israeli-Palestinian conflict in the post-Cold War period?

2. Has the EU’s influence in the peace process contributed to minimising American diplomatic leverage within the Quartet?

Case Study 3:

The EU-USA steel dispute:

1. To what extent has the overall economic framework in which the USA asserts its economic power changed?

2. Has the EU dealt with the steel tariffs in the way it did in order to minimise American influence within the WTO?

Having established the research questions, the thesis then followed a deductive-nomological approach in taking explicit steps to test the neorealist and soft balancing propositions. Firstly, the theory was postulated in chapter 2, with three general answers that neorealist thinkers have given to the question as to whether the USA (the unipolar power) would or would not be balanced by second-tier states in the post-Cold War era being outlined. These were:
(a) The structural explanation: This asserts that a period of unipolarity would only represent a phase of transition, as great powers would eventually emerge and seek to respond to an unbalanced power constellation

(b) The soft balancing explanation: This proposes that, as a response to the aggressive and unilateral posture of the USA, second-tier states are already in the process of balancing the unipolar state, albeit utilising non-military means

(c) The alternative structural explanation: This contends that unipolarity will remain in place in the short-medium term and that second-tier states are unable and are uninterested in balancing against the USA.

For this thesis, the purpose of which was to verify whether the EU has balanced the USA in the post-Cold War period either as a result of structural incentives or by following a set of deliberate plans, the option of the alternative structural answer was not tested against the case studies to preserve the integrity of the balance of power framework adopted. Then, in an effort to better understand how the EU can be conceived of as a great power in the post-Cold War era, the chapter turned to an analysis of the offensive-defensive realist dichotomy. The chapter moved on to conjecture that the rise of the EU as a great power could in turn generate expectations that the EU will either hard balance against unipolarity or undertake to frustrate the policies of an aggressive unipolar state (soft balancing). The notion of great power and the way in which this applies to the EU was also discussed as the chapter pointed out that ‘three EUs’ could effectively become visible in the successive case studies. This reflects the fact that the level of integration among member states of the EU varies across the power dimensions (military, diplomatic and economic) that this thesis analyses. Accordingly, it could also be expected that the ways in which the EU would maximise its influence within the international system and in particular represent a balancing force against the USA would
also vary. In addition, from the outset a number of conditions, in the form of assumptions, were set out, with the purpose of these assumptions being to guide the way the hypothesis was tested in the case studies. In fact, the three assumptions that were specifically applied to each case study were as follows:

**Assumption 1**: during the post-Cold War period, unipolarity provided the incentive for European states to create their own security arm. Extrapolating from this, the conclusion may be reached that the EU is in the process of balancing against a unipolar power, the USA. The disappearance of the Soviet threat and the advent of unipolarity help to explain why European states created CSFP, while the inadequate response to the War in Bosnia helps to explain why ESDP was created (structural balancing). The creation and subsequent operations of ESDP leads to the conclusion that the EU is in the process of differentiating itself from NATO and is adopting a form of limited arms build-up to counterbalance an increasingly threatening unipolar power (soft balancing).

**Assumption 2**: unipolarity is the key factor when it comes to understanding why, during the post-Cold War period, the EU sought to exert greater influence in the Israeli-Palestinian conflict. The EU made efforts to maintain positive relations with Israel while simultaneously providing financial aid to the PA, and this was as a means to accumulate political influence in the conflict and to undermine America’s primacy as the peace-broker within the process (structural balancing). The EU sought to weaken the diplomatic influence of the USA by defying its policies within the Quartet for Peace (soft balancing).

**Assumption 3**: unipolarity is useful when it comes to understanding why the EU emerged as a powerful economic actor in the post-Cold War era (structural balancing). Following
President GW Bush’s decision to raise the steel tariffs in 2002, the EU deliberately undermined Bush’s chances of winning a second mandate in 2004 by entangling the USA within the WTO’s machinations (soft balancing).

By addressing the research questions, and testing the neorealist and soft balancing claims, this thesis makes a contribution to current debates with respect to (a) the evolving relationship between the EU and the USA and (b) the relevance of the balance of power theory framework in the post-Cold War period. Moreover, the thesis offered a critique of the concept of soft balancing (which represents the most recent attempt to supplant the concept of hard balancing within the framework of balance of power theory). In this regard, the evidence arising out of the case studies has demonstrated that as the EU emerged as a great power it sought to play a more assertive role within the international system. Indeed, this was the case, to varying degrees, in all the categories of power analysed here.

Moving on, having become a great power in its own right has the EU sought to balance the USA as a result of structural incentives or a set of deliberate plans? The balance of power framework utilised by this thesis, from which Waltz’s neorealist and Pape and Paul’s soft balancing assertions were extrapolated, would have led one to expect that one would uncover firmer evidence of the recurrence of balancing in the modified power constellation known as unipolar, or evidence of intent by the EU to do so. As a matter of fact, the EU did not make haste when it came to reaping the possible benefits arising out of the greater degree of freedom that was afforded by unipolarity. Despite the absence of any looming overwhelming military threat, the EU did not compromise its alliance with the USA to any significant degree.
This concluding chapter initially summarises the answers to the overall main and sub-research questions that arise out of the empirical analyses undertaken in chapters 3, 4 and 5. Following on from that, the thesis reflects further upon its own theoretical foundations, with the theoretical discussion focusing on a reconsideration of the explanation given by neorealism and soft balancing of the logic of balancing under unipolarity taking into account the empirical results of this thesis. Finally, the concluding section discusses the place of the thesis itself within the literature and where further research may be desirable or necessary.

6.2 EMPIRICAL CLAIMS

This thesis placed the rise of the EU to great power status within the context of the unipolar structural distribution of capabilities that developed after the dissolution of the USSR. The EU’s relationship with the USA was analysed across the military, diplomatic and economic spheres of power.

It was found by this thesis that the rise of the EU as a great power within the international system led it to seek to exert more influence in the international system. However, there was insufficient evidence to support the claim that the EU has balanced the USA as a result of structural incentives or as a set of deliberate plans. This section revisits the empirical claims of the thesis by drawing on the evidence found in each case study.
6.2.1 Case study 1: the EU’s gradual development of its own military arm under unipolarity (1991-2003)

The aim of this case study, analysed in Chapter 3, was to examine why European states boosted cooperation on defence issues in the post-Cold War period and did so despite the removal of the Soviet threat. Subsequently there was an analysis of whether or not the creation of ESDP and the deployment of the missions Concordia and Artemis represented a soft balancing response by the EU to the aggressive stance of the USA.

**Expectation:** the neorealist assumption would lead one to expect a gradual waning of unipolarity in the post-Cold War period (Waltz, 1993; Layne, 1993). According to this viewpoint, in the post-Cold War system NATO would lose its reason to exist and there would no longer be any need for an American presence within the borders of European states. Unipolarity would endow those states with greater freedom and give them a key incentive to seek security autonomy from the USA. In turn the USA would cease to enjoy the stature of a great relative military power advantage in perpetuity because European states would coalesce and seek to create their own military arm for reasons of defence. The soft balancing theorists would point to the fact that the EU, much like other great powers within the international system, realises that hard balancing is not an effective strategy. However, this does not mean that the USA cannot be balanced. Specifically, the EU would be concerned with American unilateral postures and would create ESDP as an alternative coalition aimed at projecting military power within the international system. In so doing, the objective of ESDP would be to limit US influence in other different areas of the world.
**Outcome:** the establishment of unipolarity provided an important incentive for European states to address their role within the alliance. When looked at from a military point of view, unipolarity has arguably consolidated during the post-Cold War period, given that the USA, which during the Cold War had gradually become the world’s strongest military power, was still able to project its overwhelming power on a global scale. The EU has pursued greater internal military cooperation but it has not done that in order to balance against the USA. Unipolarity was the incentive to which European states responded, seeking to do this through acquiring greater autonomy from the USA, but it did not determine the process of balancing. Moreover, by deploying ESDP missions, the EU projected its power in those places where NATO was (a) not involved and (b) did not want to get involved any longer. ESDP has not been transformed into an alternative military army in response to the US unilateralist policies, and it has in fact provided assistance around the world to the USA in terms of crisis management tasks, thus enabling Washington DC to *de facto* further project its military power in other areas in the world.

**Intention:** despite the USA displaying ambiguity when it came to welcoming a wider sharing-out of the burden within the alliance, and simultaneously fearing duplication, the EU appears to have pursued defence integration because the USA’s stance on the defence of the European territory was less firm during the post-Cold War period. Moreover, in spite of the uneasiness of certain EU member states, such as France, greater cooperation on defence has ultimately not as yet emerged out of European unwillingness to side with the USA.

The purpose of this case study, which was tackled in chapter 4, was to test the neorealist and soft balancing propositions against the EU’s involvement in the Israeli-Palestinian conflict in the post-Cold War period.

**Expectation:** the neorealist contention would have led one to assume that the EU, benefiting from greater political independence under unipolarity, would seek to exert greater influence in the Israeli-Palestinian conflict. Such an undertaking would have led to a clash of the major powers that were seeking to exert their own influence in a war-prone area of the world. The soft balancing theoretical proposition would have pointed to the fact that the EU deliberately set out to frustrate American influence in the peace process.

**Outcome:** in the aftermath of the Cold War the EU played a more assertive role in the conflict. It accomplished this through providing financial aid to the Palestinians and maintaining a strong economic relationship with Israel. The EU exploited the opportunity provided by the US decision at the 1991 Madrid conference to grant the Europeans an economic role within the conflict, and it subsequently sought to maximise this. Within the Quartet, the EU continued to reiterate its position on the conflict in the same way it had done in the past. It did not shift its attitude to put pressure on the USA, but was in fact confronted with the GW Bush administration’s shifting approach towards Israel. Despite the EU’s attempts to defy the controversial policies of Ariel Sharon, it ultimately endorsed the “Roadmap” although its chances of succeeding had decreased as a result of Bush’s difficulties with exerting pressure on Israel.
**Intention:** the EU wanted to remain involved in the Israeli-Palestinian conflict as it had a strong economic interest in resolving the struggle. It did not, however, manifest a strong and clear willingness to usurp the USA’s supremacy as the third party positioned between the Israelis and the Palestinians.

6.2.3 Case study 3: the EU-USA steel dispute within the context of the Euro-American post-Cold War economic relationship

The third and final case study, which was the subject of chapter 5, dealt with the economic dimension of the EU-USA relationship. Proceeding with the same deductive logic as in the preceding case studies, the chapter explored the structural and soft balancing contentions against the Euro-American economic relationship in the post-Cold War period.

**Expectation:** the neorealist allegation was that in the post-Cold War era the USA would remain a strong economic power but would not be able to exert as much influence within the international economic system as it had been able to do in the aftermath of WWII. The reason for this was that the USA no longer found itself in the privileged position of being able to dictate the “terms of adjustment” in the international economy. The soft balancing argument would point to the fact that the EU would undermine US economic leverage by using an international institution as a tool to contain its unilateralist policies.

**Outcome:** in the post-Cold War international system the EU has gradually emerged as a more powerful economic actor than the USA. This is not, however, the result of US economic dominance under unipolarity as one would have expected from a neorealist point of view but part of a process which had started quite some time before the 1989 fall of the Berlin Wall.
Particularly, the EC became a more and more assertive economic actor during the long decades of the Cold War. After the Cold War, and particularly after 9/11, the EU economy even surpassed the US economy, at least as far as its aggregate GDP and circulation of its unique currency were concerned. Rather than appearing as a result of unipolarity, the fact that the EU was ultimately able to surpass the US economy was a consequence of 9/11 and events which happened within the USA. In this context, the steel dispute was the result of multiple factors which brought about President GW Bush’s initial decision to raise the steel tariffs. Specifically, the domestic US steel industry was facing important structural challenges as a consequence of the rise of alternative steel producers within the international system. Moreover, the US economy was in recession at the end of the 1990s and the steel lobby was openly calling for protection. With the emergence of the EU as a powerful economic bloc and with its capability to influence a US contentious decision this case study could be seen as partly validating the neorealist paradigm. Nevertheless, close attention to the theory’s logic and analysis of its concepts of unipolarity and balancing points to the fact that the neorealist paradigm is ultimately not well-equipped to deal with the complexity of the events this case study analysed.

**Intention:** the EU has not manifested a willingness to break up its long-lasting economic ties with the USA, and the Euro-American economic partnership continues to be very important and far-reaching. That said, the EU is also capable of exerting influence on the USA, this being visible in the case of the steel dispute. However, in countering Bush’s steel tariffs, the EU was not responding to a deliberate plan to weaken the US economy but instead was seeking to safeguard its steel exports which would be damaged by the US tariffs.
On the basis of the empirical claims made above, table 6.1 summarises the results of the test of the structural and soft balancing propositions carried out against transatlantic relations in the post-Cold War era. Neorealist and soft balancing propositions created the potential to study whether the advent of unipolarity offered the EU the chance to increase its potential to exert greater influence in the international system. The assertion that the world became unipolar following the end of the Cold War was analysed in each case study of the thesis. However, establishing whether or not exerting more influence was meant to balance the USA at a structural level (neorealist prediction) or happened because the EU perceived the US as aggressive (soft balancing assertion) was the objective of this thesis.

Table 6.1 Summary of findings from the case studies

<table>
<thead>
<tr>
<th>Case Study 1</th>
<th>Structural balancing</th>
<th>Soft balancing</th>
</tr>
</thead>
</table>
| Military power | - Unipolarity as the permissive environment for European states to bring forward their defence integration  
|              | - ESDP not aimed at addressing the relative power advantage but instead at seeking a degree of autonomy from the USA | - ESDP missions directed at areas where NATO is not involved or no longer wants to get involved  
|              |                                                                                       | - ESDP missions were not launched in response to aggressive US stance |

<table>
<thead>
<tr>
<th>Case Study 2</th>
<th>Structural balancing</th>
<th>Soft balancing</th>
</tr>
</thead>
</table>
| Diplomatic leverage | - The EU sought to play a more assertive role in the Israeli-Palestinian conflict  
|              | - The EU’s role remains                                                              | - As a member of the Quartet the EU did not change its attitude towards the conflict  
|              |                                                                                       | - The EU was unable to
<table>
<thead>
<tr>
<th>Case Study 3</th>
<th>Economic influence</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The EU increased its economic power during the post-Cold War era and, on aggregate, gradually superseded the USA</td>
<td>The EU successfully responded to the steel tariffs raised by the Bush administration so as to defend its steel exports</td>
</tr>
<tr>
<td></td>
<td>The EU’s increasing economic leverage became more apparent in the aftermath of 9/11 when the USA experienced an economic downturn</td>
<td>The EU minimised American influence within the international economy by entangling US power within the WTO</td>
</tr>
</tbody>
</table>

As table 6.1 shows, the thesis points to differentiation of contexts, processes and outcomes between the case studies within a general context of US structural dominance since the end of the Cold War. On the one hand, this reflects the fact that the USA clearly emerged as the single superpower in the aftermath of the Cold War while on the other hand it points to the different ways in which the EU responded to US power depending on how much influence the EU could exert within the international system. In this respect, the case studies have offered the opportunity to study three different ways in which the EU could manage its relationship with the USA without putting it at stake but with the opportunity to respond to a different and more uncertain power constellation. While the case studies dealt with different
dimensions of power, it was ultimately possible to reach some conclusions which allowed to test the neorealist and ‘soft balancing’ explanations and to trace the context, processes and outcomes of transatlantic relations in the post-Cold War era.

6.3 THEORETICAL CLAIMS

The evidence presented in this thesis sheds light on the fact that the EU has, in the aftermath of the Cold War, undertaken to exert more influence in the international system. Nevertheless, it also highlights that the EU has not manifested clear intentions that it intends or wishes to supersede the USA or to restrain that country’s power. This would suggest that the EU’s striving for influence in the post-Cold War era represents a limited structural undertaking. This conclusion takes into account the fact that while the thesis operates with a balance of power theoretical framework and within a general context of US dominance since the end of the Cold War it still points to a certain differentiation of contexts, processes and outcomes between the different case studies. This can be seen as the consequence of looking at three case studies which could not be easily compared with one another. However, while the contexts and processes of EU formation as a great power were different, there was less differentiation in terms of outcomes as this thesis found insufficient evidence of a balancing behaviour by the EU towards the USA.

To start with, the EU and the USA have not adopted fixed and automatic strategies in the aftermath of the Cold War, and over the years they have adjusted their positions in response to each other’s policy developments. The creation of a European military force, the increased European profile in the Israeli-Palestinian conflict and the EU’s successful challenge to the US in the steel dispute do not seem to be a reflection of the EU’s attempt to manifest its ambitions towards the unipolar state as such but instead are a result of the greater freedom
that came the way of the EU in the post Cold War period to wield greater influence on the world stage. This has contributed to the re-shaping of the on-going partnership between the EU and the USA in the modified international system. Accordingly, the empirical results offered important insights that assist with answering the overall research question of this thesis.

This section discusses the main theoretical considerations for the neorealist and soft balancing assertions by examining their microfoundations. At first it approaches the neorealist proposition and it then goes on to discuss the soft balancing proposition. Subsequently it highlights where this study fits in within the current literature and where further research may be needed.

6.3.1 Looking at continuities? An assessment of the structural explanation

The main element of a neorealist explanation of the Euro-American partnership focuses on the structural distribution of power (Waltz, 1993; Layne, 1993). Neorealism pays close attention to the structural pressures that ‘shape and shove’ the activities that states pursue within the international system (Waltz, 1997: 915). It is also a wholly parsimonious theory which provides the generalisation that overwhelming power will generate a balancing response (Waltz, 2000). As far as the behaviour of individual states within the international system is concerned, the balancing act is the main neorealist expectation. Balancing strategies include the tendency that states have to form defensive alliances to balance against challengers (Grieco, 1997), the attempts they make to increase their military capabilities in an effort to match those of the more powerful state, or the building of a formal or informal alliance or alliances targeted at the more dominant state. This constitutes clear evidence that states are more interested in pursuing security rather than power, something that Waltz (1979:
126-127) has argued; ‘if states wished to maximise power, they would join the stronger side, and we would see not balances forming but a world hegemony forged. This does not happen because balancing, and not bandwagoning, is the behaviour induced by the system. The first concern of states is not to maximize power but to maintain their positions in the system’.

Neorealism and unipolarity

Since Waltz published *Theory of International Politics* in 1979, his theory and its practical application to contemporary world events continues to be at the centre of any academic debate on IR theory. This may be because Waltz himself (1993; 2000) has remained concerned with offering his own views on whether balancing mechanisms would still loom large in the aftermath of Cold War. In the post-Cold War period, neorealist explanations of transatlantic relations have focused on unipolarity, the power constellation which following the demise of the USSR is recognised to have replaced bipolarity. Part of the aim of this thesis was to provide a test of Waltz’s central theoretical proposition, albeit in the different power constellation known as unipolarity. The neorealist theory, which had been very influential following the appearance of Waltz’s *Theory of International Politics* (published at a time when the prevailing international condition was bipolarity), started to attract criticism in the immediate aftermath of the Cold War, the adverse comments centring upon its perceived inadequacy as a tool to explain change. For example it had, in particular, not been able to predict the end of the Cold War (Kratochwil, 1993). Neorealist thinkers dealt with such criticism by arguing that the theory is concerned with continuity rather than change (Gilpin, 1986; 1991). For instance, Gilpin (1991: 211) notes that ‘the fundamental nature of international relations has not changed over the millennia’. In a similar vein, Waltz (2000: 5) posits the question ‘what sorts of changes would alter the international political system so
profoundly that old ways of thinking would no longer be relevant? Changes of the system would do it; changes in the system would not’.

Waltz’s main task in the aftermath of the Cold War was to be specific as to what kind of change “in” and not “of” the system were taking place, arguing (1993: 52) that ‘bipolarity endures, but in an altered state’ as ‘militarily Russia can take care of itself’. In such a system, the USA stands above all other states since as far as military power, resource endowment, political stability and soft power are concerned it exceeds all others. Other neorealist writers, such as Layne, were more explicit in asserting that the post-Cold War system is unipolar - to quote Layne (1993: 5) ‘the Soviet Union’s collapse transformed the international system from bipolarity to unipolarity’. Whereas neorealist thinkers are more or less explicit in stating that in the aftermath of the Cold War the world became unipolar, when it comes to providing indicators with which to measure unipolarity they are less precise. Waltz (1993: 50) generally shares the common realist assumption that in order to be a great power a state needs to surmount other states ‘on a combination of the following items: size of population and territory, resource endowment, economic capability, military strength, political stability and competence’. In this thesis, the indicators of unipolarity were limited to military power, diplomatic leverage and economic capability. It was anticipated in Chapter 2 that it would be possible to note different degrees of unipolarity in the international system depending on which dimension of power would be analysed. Indeed, the case studies highlighted that the extent to which the USA has been able to exercise preponderance of power varies across the dimensions of power in the aftermath of the Cold War.

The case study looking at the military dimension of power is the most convincing as the empirical evidence points to the USA being by far the most powerful military power. Indeed,
it has been able to increase its military power in the post-Cold War period and it possesses the means to project this power globally. The case study dealing with the diplomatic dimension of power also confirms that during the post-Cold War period the USA still retained the means to remain the undisputed third party between the Israelis and the Palestinians – and while it has arguably not succeeded in bringing the conflict to an end, it nonetheless had the opportunity to exert more influence in the conflict than had been the case during the Cold War. In particular, it is worth taking note of the number of vetoes that the USA has been able to apply to UN Security Council Resolutions in the aftermath of the Cold War as this is clear evidence of the USA’s continuing ability to influence international institutions. The least convincing case for unipolarity lies in the case study on the economic dimension of power. There is no doubt that during the Cold War era the USA more obviously exercised economic hegemony, and this was a time when it was operating under the structural conditions of bipolarity – in fact the USA was both a ‘system maker and privilege taker’ (Mastanduno, 2009: 122). Krasner (1976) contends that the formation of a liberal international economy is premised on the fact that an individual state should be able to invest resources and to deal with the incumbencies linked to the management of such a system. Gilpin (1971) sees the spread of U.S. based firms around the world in the 1950s and 1960s as a result of the international economic order which had been strongly backed by the USA government in the aftermath of WWII. In the post-Cold War period, while the USA has remained a very important economic power within the international system, its ability to be ‘system maker and privilege taker’ has decreased. Put it another way, at least in the economic sphere of power the USA is no longer able to dictate the terms of agreement within the international political economy to the same extent as it used to be able to (Mastanduno, 2009: 122).
In light of this neorealism certainly offered a convenient term to make sense of the overall structural distribution of capabilities within the international system having developed after the end of the Cold War. But this seems to apply convincingly in the one dimension of power only. This presents, in turn, important implications for the ways in which one can make sense of US dominance in the post-Cold War period, especially as far as transatlantic relations are concerned.

Neorealism and the EU under unipolarity

Whereas the neorealist theory has arguably succeeded in providing a central concept, that is unipolarity, to guide an analysis of transatlantic relations in the post-Cold War era, it has encountered greater difficulties when it comes to dealing with the question of how to consider the EU as a single actor in its own right (Grieco, 1997). There are several assumptions rooted in the neorealist theory which prevent a fully fledged analysis of what the EU is, what it does and whether it is genuinely able to exert influence on the world stage (Smith, H., 2002). The debate between offensive and defensive realists has led to theoretical tools becoming available that are able to consider the EU as an integrated collection of nation states which, acting together, can seek to balance against the unipolar power. Mearsheimer (1990; 1994) argued that in time Europe would revert to unbalanced multipolarity and that international institutions such as the EC would have minimal influence on state behaviour. Defensive realists have been more sanguine towards the prospect of cooperation within the EU despite maintaining that cooperation is very difficult to achieve under anarchy. Three reasons are generally given to account for why this is the case. Firstly, in a condition of anarchy states worry about cheating; they are tempted to cheat and they fear being cheated themselves (Jervis, 1999). Secondly, states prefer to maintain a ‘low level of functional differentiation
between themselves’ and cooperation usually involves a certain degree of specialisation of function (Grieco, 1997: 174). Thirdly, states worry about the relative advantages they may lose should they engage in cooperation (Collard-Wexler, 2006; Grieco, 1993).

Waltz (1993), who has come to be considered as a defensive realist, engaged intellectually with the subject of the EU from a systemic point of view. He acknowledged that in the aftermath of the Cold War Western Europe was a candidate for great power status, but the low level of political integration among states represented a major obstacle. As Waltz put it (1993:69-70) ‘the achievement of political unity would produce an instant great power…but politically the European case is complicated…if the EC fails to become a single political entity, the emerging world will nevertheless be one of four or five great powers, whether the European one is called Germany or the United States of Europe.’ In a subsequent article, Waltz (2000: 30-31) contended that the EU was still a candidate for becoming the next great power; ‘the countries of the European Union have been remarkably successful in integrating their national economies. The achievement of large measures of economic integration without a corresponding political unity is an accomplishment without historical precedent. The European Union has all the tools – population, resources, technology and military capabilities – but lacks the organisational ability and the collective will to use them’.

This thesis treated the EU as a collection of member states that are becoming increasingly integrated. It also assumed, in line with a defensive realist position, that the member states of the EU understood that in the more uncertain post-Cold War unipolar international system greater cooperation would be in their best interests (Kydd, 1997; Glaser, 1994/95). Overall, the evidence from the case studies suggests that the EU has acquired those tools in abundance that would allow it to assert greater influence within the international system during the post-
Cold War period. However, the extent to which member states have delegated their sovereignty to the EU’s co-ordinating authority varies across the power dimensions analysed. As a matter of fact, it was anticipated that the case studies would present ‘three EUs’ as the level of influence the EU would be able to exert in the international system would vary across the power dimensions which were considered. In the ESDP case study, differences between France and the UK on the issue of an autonomous European military capability have led to a weakening of the level of political integration (Howorth, 2007). ESDP has been driven by the great powers that make up the EU and remains enduringly inter-governmental (Hyde-Price, 2007). The case study on the diplomatic dimension of power highlights that the EU has emerged as an important power which is able to utilise economic and diplomatic instruments to exert influence in the conflict. In the case study on trade, the EU has clearly emerged as a powerful trading bloc and EU member states have delegated sovereignty to the European Commission that in turn acts on their behalf at WTO level.

Neorealism and balancing under unipolarity

The neorealist theoretical framework is more concerned with continuity rather than change and the main assumption - that states tend to balance in international relations - was not changed by the advent of unipolarity. The causal relationship put forward by neorealism in order to explain how units would interact under a different distribution of power remained relatively straightforward. Unbalanced power cannot last forever in international politics. Regardless of the type of state that is exercising preponderant power, the greater of the other powers will sooner or later (usually sooner) emerge and seek to address the asymmetry in power. According to the neorealist scheme, given the anarchic nature of the international system the less powerful states will automatically seek to balance the most powerful state
within the international system. The question is not whether great powers will form, but when. This is an area where predictions are not entirely clear - Waltz (1993: 50) predicted this would happen ‘in the fairly near future, say ten to twenty years’ while Layne (1993: 13) was similarly imprecise with regard to the time factor when he asserted the balancing process would happen ‘fairly quickly’. The balancing proposition put forward by the neorealist theoretical framework is deterministic in the sense that it predicts that balancing will always prevail (Sangiovanni, 2009). However, neorealism does not look at the microfoundations of the balance of power. A theoretical explanation which is not focussed on analysis at the systemic level is dismissed as reductionist (Waltz, 1979). In so doing, neorealism shows an inherent indeterminacy problem because it not able to tell us when and how balance of power will come into the picture. The process between the distribution of power and the outcome of the system (balancing) is treated as a black box which is not relevant to the outcome.

In terms of the empirical accuracy of the neorealist prediction that great powers will emerge and balance against the unipolar power, this thesis argued that whereas it is possible to conceive of the EU as a great power on the rise it cannot be stated that the EU has definitely balanced the USA. The EU has developed as a great power during the post-Cold War era and has been willing to play an important role in all of the power dimensions analysed in this thesis. This finding would, at first sight, fit with the causal logic of the neorealist proposition. Indeed, looked at from the vantage point of the EU the general trend of balance of power theory is partly visible and is therefore persuasive throughout the case studies of the thesis. Unipolarity provided the permissive environment in which the EU would be able to emerge as a great power in its own right and would not need to always back the USA in the same way it had done during the Cold War. Nevertheless, in order for the neorealist logic to be more convincing, it would have been necessary to seek out more evidence with respect to the
outcomes following the rise of the EU as a great power during the post-Cold War era. For neorealist scholars, this would mean that the EU should have balanced the USA. In the case study on ESDP, no strong evidence exists to prove that EU member states have balanced against the USA through either internal or external means. In the case study on the Israeli-Palestinian conflict, the EU has not superseded the USA as the main third party between the Israelis and the Palestinians but has instead sought to develop as an alternative peace broker. The outcome of balancing is, however, partly visible in the economic dimension of power, since in the post-Cold War period the EU has clearly emerged as an even more powerful economic system than the USA. Nevertheless, the EU has not adopted an adversarial stance towards the USA (Little, 2007), with it clearly having maintained a strong economic relationship with its North American competitor, and the USA has not openly manifested any particularly negative reactions regarding the economic growth of the EU. Moreover, that the EU would eventually become a more powerful economic bloc than the USA became increasingly evident following the terrorist attacks of 9/11. If it is assumed that the EU had balanced the USA from an economic point of view as a consequence of 9/11 the neorealist logic would be less persuasive. In fact, neorealist thinkers do not see 9/11 as having provoked a structural change but instead regard it as having brought about a change in US foreign policy (Walt, 2001/02). Furthermore, the EU was able to supersede the USA as a result of changes within the US economy, which had suffered an economic downturn in the aftermath of 9/11. In short, the balancing outcome by the EU was more visible as a result of changes which happened within the USA and within the EU rather than as a consequence of the international system.

In summary, Waltz’s theory provided both a sound and parsimonious assumption which allowed greater understanding the structural forces that made it possible for the EU to emerge
as a great power in the post-Cold War system. The neorealist prediction that states tend to balance under unipolarity, regardless of who the unipolar state is, proved less persuasive given the empirical evidence of this thesis.

6.3.2 Looking at motivations? An assessment of the soft balancing explanation

The concept of soft balancing is a recent addition to the literature on balance of power theory and it has been employed by a number of realist scholars in order to make sense of the way in which second-tier states respond to American power. Such a definition may at first sight look very close to a Waltzian neorealist theoretical perspective. However, it is different because it has the promise to be an important alternative to Waltz’s theoretical stance.

Because hard balancing against the USA has not happened, so the soft balancing argument asserts, it does not mean that second-tier states are necessarily satisfied with unipolarity (Pape, 2005; Paul, 2005). Rather, second-tier states can direct their balancing actions against specific US policies that they do not agree with in order to acquire greater authority within the international system but without their necessarily wanting to alter the distribution of power (Walt, 2009). The concept of soft balancing promised to be a useful refinement to the hard balancing as it included a consideration of different tools that second-tier states might employ to try to contain American power. The lack of hard balancing against the USA in the post-Cold War period called for a modification of the concept of balancing. The soft balancing theorists draw on different definitions of the concept and several empirical examples that justify its relevance. The causal relationship of soft balancing, which this thesis drew upon, is that the EU has undertaken to soft balance the USA in the post-Cold War period because it has a motive or motives to do so (Walt, 2005). More precisely, the EU would have undertaken to frustrate and delay the exercise of American power when it
perceived the USA’s intended actions to be too unilaterally-orientated and aggressive. This thesis drew on Walt’s definition of soft balancing involving ‘the conscious coordination of diplomatic actions in order to obtain outcomes contrary to U.S. preferences’ (2005: 126). The case studies of this thesis analysed whether or not the EU has balanced the USA in order to obtain different outcomes and if it had motives for doing so. This section tackles the microfoundations of soft balancing by analysing what the objectives of soft balancing are and whether, in responding to the perceived aggressive US power, the EU met them.

**The reason for soft balancing**

Pape (2005) and Paul (2005) placed the central cause of soft balancing in a variable located within the unipolar state - namely the aggressive intentions of the unipolar state’s leadership. In other words, contrary to the structural realist explanation of balancing under unipolarity, soft balancing does not focus solely on power. In particular, soft balancing authors believe that in the aftermath of 9/11 the GW Bush administration had embarked upon an aggressive and unilateral foreign policy course. Pape (2005:9) advances the argument that the consequential effect of the Bush administration’s policies will be a ‘fundamental transformation in how major states react to future uses of US power’. The security strategy pursued by the Bush administration causes second-tier states to become concerned about the unipolar’s exercise of power within the international system. Second-tier states realise that hard balancing is not an effective strategy in the short term and they therefore switch to soft balancing strategies to oppose American power. Pape (2005:8) asserts that ‘the long-term consequences of aggressive unilateralism and the Bush strategy as a whole are likely to be even more momentous’ if the USA does not do enough to mend its damaged image and reputation. It is of interest to note here that Paul (2005:58) assumes that institutional and
diplomatic strategies pursued by second-tier states are ‘intended to constrain U.S. power, constitute forms of soft balancing’. Furthermore, as Walt (1987: 179) has argued, ‘because power can be used either to threaten or to support other states, how states perceive the ways in which others will use their power becomes paramount’. Therefore, soft balancing theorists state that second-tier states have a motive to soft balance the USA at those times when they perceive its leadership to be behaving aggressively and unilaterally.

The case studies in this thesis partly focused on events concerning transatlantic relations in the aftermath of 9/11. This allowed for an analysis covering the same temporal context of the soft balancing theorists to take place (Pape, 2005; Paul, 2005). In so doing, it was also possible to evaluate the EU’s responses to the ‘perceived aggressive’ stance of the Bush administration, these being the EU’s deployment of ESDP missions Concordia and Artemis in 2003, EU-USA diplomatic cooperation within the Quartet in 2002/03 and the EU-USA steel dispute in 2002/03. The strongest evidence of a soft balancing act by the EU towards the USA was encountered in the case of the EU-USA steel dispute where the EU in effect joined forces with other second-tier states to entangle the power of the USA within the WTO, this being done in response to a unilateral decision taken by President Bush. However, while this represents evidence of the fact that the EU is able to respond to US power, the extent to which this was a response to any premeditated plan of the EU was less clear.

Hedging security bets under the uncertain unipolar world

The example of the creation of ESDP is among those utilised by soft balancing theorists in order to provide empirical evidence for the validity of their concept. For instance, Art (2004: 180) employed a ‘close’ version of soft balancing in order to study the creation of a common
European defence capability. According to this version, a weaker state is not concerned about the military threat posed by a more powerful state but, rather, about the effects that the more powerful state’s rise will have on the weaker state’s political and economic position in the international system. Though EU’s creation of ESDP did not arise out of any anti-Americanism, Art (2005: 207) suggests that if the USA were to continue ‘on the unilateralist path set by the Bush administration, ESDP will likely become more ambitious than the British originally favoured and more like what the French have sought...a more ambitious ESDP would likely be NATO-hostile in the sense that it would become a competitor to NATO and strip the alliance of much of its value’. Jones (2007) has also sought to make sense of the rise of increased European security cooperation in the post-Cold War era and suggests that it is inversely correlated with American engagement in European security affairs. Hence, in the unipolar world the USA was less interested in the territory of Europe for its own strategic reasons and in consequence European countries have taken important steps towards creating their own military force. The effect of this is to ‘increase Europe’s ability to project power abroad, and to decrease reliance on the United States’ (Jones, 2007: 5).

As the EU was preparing to launch its first ESDP missions, transatlantic relations at the time were under considerable strain arising out of the 2nd Iraq War and other contentious policies being pursued by the Bush administration (Menon, 2004; Sangiovanni, 2003). Nevertheless, if the soft balancing claims on ESDP were persuasive, one would have expected to see the deployment of ESDP missions either being directed towards areas of particular interest to the USA or being targeted in such a way as to make US military power projection more difficult. Instead the empirical evidence of the case study on ESDP found that the EU managed to work out an effective division of labour with the USA at a time when the cohesiveness of the alliance was at stake.
Diplomatic action in order to obtain outcomes contrary to US preferences

The EU-USA joint diplomatic effort within the Quartet for peace that was set up to solve the Israeli-Palestinian conflict has not been specifically mentioned by soft balancing theorists. However, the case study within this thesis provided an important test for the soft balancing assertion that second-tier states may employ diplomacy-based initiatives in an effort to obtain outcomes which would be at odds with US preferences (Mowle, 2004). The EU and the USA both retain very important interests in achieving a resolution of the Israeli-Palestinian conflict and both have sought to influence the peace process in the post-Cold War period. As the EU was able to sit at the same negotiating table with the USA, one would have expected there to have been a strong divergence of policies between the EU and the USA and a premeditated EU plan in place to minimise American influence in the peace process. In fact the case study found that once the EU had joined the USA within the Quartet, it did not shift its position on the conflict. Moreover, as President Bush became personally engaged with the peace negotiations there occurred a very important convergence between the EU and the US position with respect to a two-state solution – this was a change in US policy and became evident when Bush spoke about a Palestinian state, something which up till then it had been highly unusual for an American president to speak about. Therefore, instead of being unilateral and aggressive, in the aftermath of 9/11 Bush’s stance on the Israeli-Palestinian conflict came across as relatively accommodating, both towards the EU and the Palestinians. However, the case study found significant evidence during the work of the Quartet of a dramatic shift in Bush’s preferences towards Israel, and rather than being influenced predominantly by the EU, which had timidly sought to oppose the Bush-Sharon deal, over time the USA became to a greater degree influenced by Israel.
Using international institutions to entangle US power

The economic relationship between the USA and the EU does not fit closely with a pattern of primacy of American power. In fact the EU can be considered as a very powerful economic bloc that is able to measure up against the USA in economic terms and, more importantly, can, through the European Commission, act on economic matters as a single entity. This is evidenced by the number of economic disputes which have arisen between them during the post-Cold War period, and Pressman (2004: 2) has commented ‘the EU can thus engage...in trade wars with the United States, even if the EU lacks the military might to engage in military disagreements’.

The case study in this thesis would fit with the logic of soft balancing. In fact, the dispute was caused by a unilateral measure pursued by President GW Bush, itself the result of multiple factors such as the rise of structural challenges within the steel trade, the economic downturn experienced by the USA and the potent voices from the steel lobby calling for protectionism. The USA failed to respect the limits to its exercise of power that were imposed on it by the WTO regulations that it had signed up to. As Ikenberry (2002: 215) has pointed out, ‘institutions create incentives on state action that serve to reduce the returns to power, that is, they reduce the long-term implications of asymmetries of power’. As the Bush administration raised the steel tariffs, WTO regulations to which the USA itself had previously adhered to were breached.

Nevertheless, the WTO decision of 2003, which forced the Bush administration to eliminate the steel tariffs, is convincing evidence of the EU’s growing economic power and leverage. This is less the result of any motivation by the EU to make things more difficult for the USA
in exerting its influence but instead grew out of a challenge to a US policy which was judged to be unfair and in breach of WTO regulations, regulations to which the USA itself had adhered in the past.

6.4 SUMMARY AND FUTURE RESEARCH

The research described in this thesis has considered the potential value of both the neorealist and the soft balancing propositions in understanding the way that the Euro-American partnership has developed during the post-Cold War period, albeit in two limited and different ways.

The neorealist structural framework, according to which great powers will emerge under unipolarity, provided a useful starting point to contextualise the rise of the EU in the post-Cold War era. Nevertheless, its eternal expectation that states balance against more powerful states was found to be unconvincing and too imprecise. The neorealist theory as outlined by Waltz (1979), and as adapted to the post-Cold War era, does not give the opportunity to look at the microfoundations of the balance of power. However, this is arguably not a limitation as such of the theory because Waltz (1979: 68) is arguably explicit with regard to the fact that the aim of his theory is to explain ‘regularities of behaviour and leads one to expect that the outcomes produced by interacting units will fall within specified ranges’. Waltz (2000: 27) acknowledges that a limitation of his theory relates to “when” - ‘a limitation common to social science theories, is that it cannot say when’ balancing will happen. Waltz (2000: 30) is still very careful to preserve the possibility that his theory might in the future be seen as accurate by stating that ‘in our perspective, the new balance is emerging slowly; in historical perspectives, it will come in the blink of an eye’. This need to recognise the elasticity of time
is not so outlandish an idea when one considers the incident when, in the 1970s, Chinese Foreign Secretary Zhou Enlai was asked what he thought of the French Revolution of 1789, and he answered, “It’s too soon to tell” (quoted in Schama, 1989: 1).

To date, working from the empirical material presented in this thesis there appears to be evidence that the development of the EU as a great power has partly brought about a re-balancing of the international system in the economic dimension of power. However, this balancing response by the EU was not an automatic consequence as the rigid logic of neorealism would have let one assume. The general and overarching theoretical logic of neorealism (that great powers arise in response to unipolarity) is useful when it comes to understanding unipolarity as the permissive environment which facilitated the EU in exerting more influence within the international system. Nonetheless, the expected outcome of the theory, namely its prediction that the rise of great powers leads to a balancing process, is less credible from the point of view of the EU’s situation. This conclusion would open space for a careful consideration of the alternative structural option which was discussed in chapter 2. Brooks and Wohlfirth’s approach could be a useful starting point for further research into the unit level mechanisms of the balance of power theory. Particularly, where the evidence of this thesis clearly confutes the neorealist framework, that is the military dimension of power, the alternative structural option would offer the opportunity to study the reasons why, under unipolarity, the EU diverted from the systemic incentive to balance against the USA.

The more striking conclusions are concerned with the soft balancing claim. Following a testing of its logic, the thesis reached different conclusions to the soft balancing theorists. It is arguably correct to state that the EU can respond to American power and that it possesses the means to restrain it, particularly when it comes to the diplomatic and economic dimensions of
power. However it is more challenging to go on to make the assumption, as the soft balancing theorists do, that the intention to challenge the unipolar state’s policies would be present from the outset. Soft balancing theorists analyse examples in which US power can be restrained but, arguably, they infer adversarial motivations from the outcomes (Howorth & Menon, 2009). If firm evidence (such as independent authoritative accounts) is uncovered that proves that motivations to oppose US power existed to start with, and were subsequently targeted effectively towards weakening the appeal of the unipolar state, soft balancing then appears to provide a limited corrective to the structural explanation. It does so by arguing that hard balancing is not a feasible or wise strategy to use under unipolarity. It also offers a valuable framework within which it is possible to conceive of alternative means that might be used to oppose US policies. Nevertheless, it is less clear on the issue of whether or not the development of such soft balancing tools are the result of a growing influence of second-tier states or the result of a set of deliberate plans. Hence, the problem is that if any aggressive intentions by the unipolar power’s leadership trigger a soft balancing response by second-tier states, it then becomes difficult to infer that intent to soft balance the unipolar power was there from the outset (Keohane, 1984; Howorth and Menon, 2009). In the empirical analysis carried out by this thesis, a clear set of motivations to soft balance the USA were not found. As presently conceived, soft balancing is a valuable attempt to modify the concept of balancing, but from a structural, and not a unit-level, point of view.

Further research into a ‘moving target,’ such as transatlantic relations in the post-Cold War era, will have to account for the shifting nature of the motivations of the actors involved. The three case studies analysed in this thesis pointed to the need to strengthen the microfoundations of both neorealism and soft balancing if either of them is to provide more persuasive analyses. Soft balancing is particularly promising when it comes to theorising
alternative ways in which US power can be opposed in the post-Cold War international system. Only the undertaking of further research into the motivations (if any) of the EU to exert greater influence within the international system would enable one to be able to determine in what specific cases it would be possible to speak genuinely of balancing within transatlantic relations. Another direction for further research could be to combine the power dimensions analysed by this thesis (military, diplomatic and economic), which could help with appreciating and understanding the full effects of the economic waning of unipolarity in the military and diplomatic spheres of power within transatlantic relations. How in the future a great power on the rise such as the EU would formulate its response to this shift is a phenomenon that would merit investigation.
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