

## Book Reviews

Jan Orbie (ed.), *Europe's Global Role: External Policies of the European Union*, Surrey, Ashgate Publishing Limited, 2009, xvi+267pp, ISBN: 978-0-7546-7721-5 (paperback)

The idea behind this edited collection stems from a research project on the 'soft' dimension of Europe's international activities conducted at the Centre for EU Studies, Ghent University. The book attempts to contribute to the growing debate and literature on the European Union's (EU) global role by looking at those external policies where the EU 'is potentially and *prima facie* a powerful actor' (p.xv). It specifically focuses on the EU's first pillar external relations activities (trade, development, humanitarian aid, environment, energy, competition, social issues and asylum and migration) and its influence in the 'near abroad' through enlargement and its relationship with its neighbours.

The book's editor, Jan Orbie, outlines in the introductory chapter that while the EU is an important international actor in these 'civilian' domains, the extent of the EU's power and success in these areas, in terms of achieving its objectives, has yet to be examined. Therefore, by analysing the EU's means of power as well as its pursued goals, the book seeks to add to the current debate and literature on the EU's global role by filling the gap in the current studies on the EU's foreign policy which focuses on the more 'hard politics' areas. Instead of looking at the 'capability-expectation gap', the authors investigate the relationship between the EU's international capabilities and objectives. Starting from the suggestion that the EU is a 'force for the good', each contribution seeks to explore the central question posed by the book: to what extent does the EU make use of its available means of power with the view to achieving Civilian Power Europe (CPE) objectives? By using the CPE concept to analyse the EU's international activities under its first pillar, the book seeks to address the criticisms that the empirical grounding of the civilian normative power literature is insufficient to understand the EU's global role.

The central theme running through this edited book is that there exists a vast diversity within the EU's first pillar external relation policies, both in terms of instruments and objectives. Even within those areas where the EU has legal competence such as trade and competition, the capacity for the EU to use the instruments at its disposal to achieve its objective vary. In their analysis of the EU's trade policy, Orbie and Versluys outline that though the EU aspires to be a 'civilian' or 'normative' power through trade, the EU's institutional set up impedes the realisation of a normative external trade agenda and instead confirms the image of a large trading state, pursuing liberalising policies via multilateral means.

Variations in the budgetary dimension and institutional structure within the policy areas analysed were also shown to be important factors for determining the EU's power and for assessing the normativity of its international actions. Within the area of humanitarian aid Versluys argues that EU power is, on the one hand strengthened by the resources at its disposal but on the other

constrained by the presence of other international humanitarian aid donors and the EU's lack of capacity to implement its own policies on the ground, requiring the support of partner donor organisations to implement EU humanitarian assistance in-country. She also highlights that due to the increasing instruments at the EU's disposal to deal with humanitarian issues, the blurring of the lines between who does what impacts on the perceived impartiality of the ECHO and the EU's 'soft power' as a humanitarian actor. Brandes' in her investigation on the EU's environmental policy argues that as EU member states have retained ultimate control in this policy sphere, the EU's external environmental policy is mainly defined by intergovernmental cooperation rather than any normative EU environmental policy. While EU discourse within the area of migration and asylum (Sterkx) seems to strengthen the EU's image as a community of values, the actions of its member states reflect their concern with security issues than with projecting any community values.

This edited contribution adds to the current debates on the EU's international role through an analysis of the EU's external relation activities within its first pillar. By focusing on what it sees as the under-researched areas of the EU's external activities, the book makes an important contribution by arguing that studies on the EU's world role should consider the EU's power resources and policy objectives. It is a worthwhile read for anyone seeking to understand the complexity surrounding the EU's global role in not just its pillar one, but in all its external activities. As with the EU's activities pillar two, the multi-layered and multi-dimensional aspect of the EU's structure makes it difficult to define the EU as a particular type of global actor for all its external activities. While the EU can be seen as a civilian, normative power in certain 'soft' areas, it is not the case for all its 'soft' external activities. The book therefore helps to highlight current challenges in trying to understand the many faces of the EU's external personality.

Margherita Matera  
University of Melbourne  
m.matera@pgrad.unimelb.edu.au

**David Marsh, *The Euro – The Politics of The New Global Currency*, New Haven (Conn.); London, Yale University Press, 2009, 352 pp, ISBN: 9780300127300**

The birth of a currency, like the death of a star, is a rare and dramatic event. In *The Euro – The Politics of the New Global Currency*, investment banker David Marsh recounts the decades of tension, frictions, and compromises that resulted in the adoption of a new single currency. Writing about these events, Marsh takes a long term historical rather than a technical economic approach. The result is a detailed narrative but with an immediacy that make it unusually readable for a financial history. (The book also contains eight pages of photographs, but these chiefly serve to underline the fact that finance remains largely the preserve of middle-aged men in suits).

Marsh places his account of the creation of the Euro in the larger context of attempts to create single currencies and currency unions. By doing this, he highlights the direct link between currency extension and political power, a theme that is central to the creation of the Euro. The opening chapter provides a brief but useful sketch of the main events in European monetary history from the start of the century to Bretton Woods. It serves as a reminder in this world of mainly floating currencies that the current friction between China and the US over exchange rate parities was once considerably more common. Whatever the drawbacks of floating exchange rate regimes in terms of uncertainty and volatility, Marsh's discussion of events in the three decades before the collapse of the Bretton Woods agreement makes floating currencies still seem much preferable to the earlier highly managed and manipulated system of fixed rates.

To a considerable extent, the story of the Euro is one of shifting relations between France and Germany. Coming out of World War 2, Germany seemed an unlikely prospect to become a significant player in a rebuilt European monetary system. But Germany's rapid economic recovery provided it with increasing legitimacy, and the conviction of German bankers to avoid repeating the undisciplined monetary policy and weak currency of the inter-war years, permanently shaped the Euro system that emerged decades later. The profound effect of Franco-German mistrust on the political economy of the Euro is nowhere more apparent than in the impact of the end of the Cold War and the move to German unification. As Marsh shows, Germany's agreement to the EMU timetable for replacement of the D-Mark by the Euro was a concession to a France nervous about the power of a united Germany. But Germany was still able to gain agreement on a range of important elements of the new system including limits on budget deficits. And the independence of the European Central Bank (ECB) mirrored the German central bank the Bundesbank. Marsh sees these ongoing tensions as part of a wider 'persistent Franco-German gap in economic culture and philosophy that persisted for half a century' (p. 40). That this gap was narrowed sufficiently for the Euro to see the light of day was a major achievement.

For some readers, the last chapter may be of greatest interest. After a decade of life, in 2008 the Euro faced its greatest test thus far as the world went through a major financial and then real economic shock. While always a counterfactual question – we will never know how the Euro legacy currencies would have responded – Marsh argues that 'the EMU may have indeed helped Europe withstand the pressures better than it would otherwise have done' (p. 237). But here, as in many other instances, the single currency was not a magic bullet. Despite the emotion that currencies can sometimes stir, and despite the tortuous path to monetary union, a single currency does not allow Europe to insulate itself from global imbalances of the scale that developed in the first years of this century. Indeed, Marsh is equivocal about the measurable macroeconomic benefits of the Euro, finding little evidence of much improvement in key economic variables or in relative economic performance.

Some important issues could have been explored further. In particular, Marsh finds that ‘no firm evidence has emerged that the Euro and its ‘one-size-fits-all’ interest rate have brought sustainable shifts in economic behaviour, either positive or negative’ (p. 238). Yet he later states that ‘one size manifestly does *not* fill all’ (p. 244 original emphasis) This apparent contradiction is important, for whether the Euro has helped or harmed economic performance is a major test of the whole grand Euro experiment. The experience of Italy is especially relevant here. A relatively strong Euro and firm monetary policy does not seem to have had a positive impact on economic behaviour. There is little sign of much structural adjustment. Indeed, the OECD estimates Italy’s multi factor productivity growth actually deteriorated during the Euro period: 0.7% p.a. 1985-2000 compared to -0.7% p.a. 2000-2008. At the same time, unemployment remained stubbornly high. These outcomes of course are not just the product of the Euro. But it is interesting to ponder whether Italy may have been better off with a lira that would likely have fallen against other major currencies over the Euro period. In a similar vein, would the impact of the global financial crisis have been less severe on Ireland if an independent Irish central bank had set interest rates higher than the ECB’s during the boom years?

The equivocal nature of the economic impact of the Euro reflects a theme that runs through Marsh’s narrative: unrealistic and hence unrealised expectations about what a single currency might deliver. At the outset Marsh quotes Victor Hugo, writing in 1855 of how a single European currency would ‘replace and bring down all the absurd varieties of money that exist today, with their effigies of princes, those symbols of misery’ (p. 13). Blaming the Euro for this uninspiring performance may be a case of expecting one instrument to achieve more than one policy goal, and of having unrealistically high expectations for what the single currency can achieve. But Marsh is right to warn that ‘The danger for the Euro’s next decade is that necessary structural reform will be forced by rising unemployment’.

Finally, while not its main intention, David Marsh’s account of the gestation, birth and early development of the Euro is a strong statement for integrating politics and economics in a rigorous political economy. Economists might argue that many of the pressures that moved Europe in the direction of a single currency were essentially economic in origin. But Marsh shows that it was the political responses to those economic forces that were ultimately essential to the creation of the Euro. There was nothing inevitable about the birth of Europe’s single currency.

David Lansley  
Senior Economist, World Vision  
david.lansley@worldvision.com.au