UACES 45th Annual Conference

Bilbao, 7-9 September 2015

Marina Strezhneva

The EU in Global Development: the Issue of the Financial Transaction Tax[*]

In September 2011 José Manuel Durão Barosso, the then President of the European Commission, presented a legislative proposal for an EU financial transaction tax (FTT). In November of the same year French President Nicolas Sarkozy, while hosting the Cannes G20 summit, spoke officially in favour of a global FTT as a new means to finance global development. This idea did not get a determinative support from his counterparts during the summit and, in effect, was henceforth dropped from the G20 agenda. Yet the introduction of an EU FTT through enhanced cooperation, now planned to start in 2017, could still assist the establishment of a global tax in a longer.

This text starts with a narrative of the FTT idea advancement within the European Union and in the EU's intercommunion with its global environment. The facts are then passed through several conceptual millstones in order to give an analytical account for the conspicuous incoherence in the EU behavior as an important global development actor.

European FTT

The idea of a common European financial transaction tax (FTT) gained support after the world crisis, started in 2008. General public held the financial sector responsible for it, and the feeling was broadly shared that financiers did not adequately contribute to covering the costs of the financial system stabilization[1], while governments were forced to raise taxes somewhere else (or to cut public spending). By taxing financial transactions, a message could be conveyed that the financial sector must share such costs. At the same time, national jurisdictions with

[*] The study was financially supported by the Russian Foundation for Humanities (RFH). The project: "Participation of the European Union in Global Economic Governance: Organizational Analysis", № 14-07-00046.

[1] In particular, in many jurisdictions, unlike treatment of many other services, no value added tax (VAT) was imposed on financial transactions.

diverging tax bases[2] could distort financial markets within the EU. According to the Eurobarometer survey conducted in 2012[3], 66% of Europeans were in favour of the principle of a financial transaction tax (73% in the euro zone and 53% in the non euro zone), with an even larger majority (83%) in favour of introducing it at the European level.

But the EC Communication "Taxation of the Financial Sector" from October 7, 2010[4] discussed at least two possible instruments for future common EU application: an FTT and a financial activities tax (FAT)[5] – and, in fact, gave preference to the latter (according to skeptics, a European FTT would lead to GDP and job losses; besides, a Swedish tax on trade of securities, introduced in 1984 and abandoned in 1991, was often cited as an example of a national FTT disaster[6]). France, Germany and (remarkably!) the UK (before the Conservative party took office in May 2010) strongly supported the idea of a European FTT. It was important for them, that, in addition to generating revenue, this tax could also help to stabilize the financial markets by curbing excessive high frequency trading. In 2011 the EC, backed by Germany and France, switched its support to the FTT.

The Commission presented its initial proposal in September 2011[7]. A general tax on transactions was envisioned, covering all kinds of financial assets and not confined to specific markets – unlike the original 1936 recommendation by

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[2] Unilateral financial transaction taxes have been introduced in such EU countries, as Austria, Greece, Luxembourg, Poland, Portugal, Spain and the UK.

[3] URL: http://www.europarl.europa.eu/atyourservice/en/20150201PVL00066/Crisis-and-economic-governance-V.

[4] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 7 October 2010 – Taxation of the Financial Sector [COM(2010) 549 final – Not published in the Official Journal]. URL: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:mi0063.

[5] A tax (proposed by the International Monetary Fund) raised on the sum of bank profits and bankers' remuneration packages.

[6] It led to financial institutions relocating to surrounding countries. The spectacular failure of the Swedish experience with a "unilateral" FTT was attributed mainly to it being based on residence rather than on the transfer of ownership which is, for example, the basis of the UK stamp duty.

[7] European Commission. Proposal for a Council Directive on a common system of financial transaction tax and amending Directive 2008/7/EC. Brussels, 28.9.2011 COM(2011) 594 final 2011/0261 (CNS) {SEC(2011) 1102} {SEC(2011) 1103}. URL: http://ec.europa.eu/taxation_customs/resources/documents/taxation/other_taxes/financial_sector/com%282011%29594_en.pdf.

John Maynard Keynes (stock market) or the 1978 James Tobin tax proposal (foreign exchange market). The banking lobby predictably opposed the move. Lobbying groups and think tanks – such as the Adam Smith Institute, the British Bankers Association and Confederation of Business Industries, the Federation of German Industry (BDI), the Deutsches Aktieninstitut (DAI), the Association of Private Companies (AFEP), Paris Europlace and many others – delivered an endless stream of anti-FTT reports. Critics prophesied a liquidity squeeze and increased costs of trading for financial institutions and other market participants.

The Commission had to abandon the initial proposal after it met effective resistance of some member states[8] (the UK, Sweden, Luxembourg, Bulgaria, the Czech Republic, Malta and Denmark did not approve of it). In the meantime, the crisis led to the creation of specific intergovernmental financial instruments (the European Financial Stability Facility and the European Stability Mechanism, with a function to assist the euro zone countries confronted with liquidity crises), and the idea was gaining momentum of having a separate budget for the euro zone (‘an appropriate fiscal capacity’) – with tax from financial transactions as one of its possible revenue sources – for purposes of macroeconomic stabilization (advanced by France) and/or less costly structural reforms facilitation (favoured by Germany). Plans to use the FTT as a revenue source for the EU budget proper were discussed in the President of the European Council Herman Van Rompuy’s report[9]. Van Rompuy proposed, in particular, as one of possible alternatives, that the participating member states transfer two thirds of their eventual FTT receipts to the EU budget, thereby reducing their national contributions. According to the scheme thus presented, the financial transaction tax would have to be collected in all the euro countries. A plan from June 2015[10] to address defects in the euro zone

[8] There is a requirement of unanimous decision-making in the Council in the field of taxation.
[9] Van Rompuy Herman. Towards a Genuine Economic and Monetary Union. December 5 2012. http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/134069.pdf
[10] Juncker Jean-Claude in close cooperation with Donald Tusk, Jeroen Dijsselbloem, Mario Draghi and Martin Schulz. Completing Europe’s Economic and Monetary Union. URL: http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report_en.pdf.

makeup confirmed an ambition for a shared euro zone budget, starting from 2018, to absorb shocks that shake the currency block.

In August 2012 the French government imposed a unilateral financial transaction tax. In October 2012 eleven euro zone countries[11] agreed to go ahead with the disputed European tax via enhanced cooperation procedure. 27 EU finance ministers gave the green light for them to press forward in January 2013. On 14 February 2013, the European Commission tabled a proposal for a Council Directive, implementing enhanced cooperation. It basically conformed to the initial one – tax rates of 0.1 per cent for shares and bonds and 0.01 per cent for derivatives – but in addition to the 'residence principle' suggested the application of an 'issuance principle', so that financial instruments of the FTT-zone would also be collected exterritorialy – "regardless of where the transaction takes place or where the financial intermediary is based". The directive must be adopted by unanimous agreement of the participating countries.

Pending the enactment of the European directive, Italian unilateral FFT was introduced in March 2013. In April 2013 the UK attempt to block the European tax was dismissed by the Court of Justice of the EU as "premature" and speculative. On May 6, 2014 10 participating member-states issued a Statement which considered the introduction of the first stage of the FTT confined to shares and "some derivatives". By Christmas 2014 France was still trying to push through a weaker FTT, promising to bring too little money, in order not to jeopardize its own 'lucrative' derivatives market, but in January 2015 French President Francois Holland instructed his Finance Minister Michel Sapin to negotiate with other 10 participating member states (PMS) for a more ambitious FTT.

On January 27, 2015 the PMS[12] issued another joint Statement, confirming their commitment to agree on an FTT directive at the EU level. In contrast to the previous Statement, the new one noted that the tax should rest on the widest

[11] Participating member states (PMS) are: Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain.

[12] Greece was one of the PMS, but did not sign the Statement, given the recent national elections (much like the absence of Slovenia from the last Joint Statement in May 2014).

possible base and low rates. It was also underlined that full consideration should be given to the impact of such a tax on the real economy and the risk of relocation. The Austrian and German Finance Ministers have reportedly agreed on a timetable for the tax that places a stock-exchange levy on equities from 2016, and tax on other transactions from 2017. But later Austrian Finance Minister Hans Joerg Schelling announced that Europe was unlikely to impose a financial transaction tax before 2017: there were still unsettled differences over whether the levy would cover all shares and derivatives and whether it would be based on where the trader buys a financial product or where it originates; another considered option was to halve the rates. Experts predict that the success or failure of the enhanced cooperation route, chosen for the FTT, may have a wider impact– for example, moving forward towards a Common Consolidated Corporate Tax Base in accordance with the EC's 2015 work plan.

According to estimates, the proposed tax could raise around 35 billion EURO per year. At present no proposal has yet been tabled by the EC on how to allocate the money, although former Commissioner responsible for Taxation and Customs Union Algirdas Šemeta said that the "revenues it will generate can be used for growth-friendly investment, and to support wider policy commitments such as development"[13]. In June 2013 three European Development Ministers, Mr. Pascal Canfin (France), Mr. Dirk Niebel (Germany) and Mr. Jean-Pascal Labille (Belgium), published an article in the Belgian and Spanish press. They claimed that the FTT arose from the idea of finding additional financing to combat global poverty and called 11 European countries, promoting the European FTT, to devote part of its future proceeds accordingly: "This significant economic revenue could help fund the fight against the great pandemics such as AIDS and malaria, as well as the fight against climate change and its already dramatic consequences for the

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[13] Šemeta Algirdas. Speech: Speaking points on Financial Transaction tax. ECOFIN Press Conference. Brussels. January 22, 2013. URL: http://europa.eu/rapid/press-release_SPEECH-13-42_fr.htm.

most vulnerable countries"[14]. The domestic budgetary demands, particularly in France and Germany, as well as the special fiscal constraints imposed in the euro zone, put additional pressure on the ability of integrated Europe to meet its promised increases in global development funding. Signaling there is a way to solve the problem, a part of the revenue generated by the French national FTT has been put into the development aid budget.

Global FTT proposal

It has been suggested that the FTT could only work properly if coordinated and implemented globally – otherwise financial activity would migrate to other centres with consequent loss of jobs and taxes. In reality, apart from separate EU members, its various forms have been in effect already in several other countries, including South Africa, the Republic of Korea, Hong Kong, Brazil and India.

The Group of Twenty (G20)[15], with political leaders from the nations present there, providing over 80% of the world's output, was chosen as a global forum for the FTT promotion. Among its members are so called traditional powers and the European Union, as well as emerging powers, starting with China and India, this particular combination allowing for search of new consensus on the management of the global economy. The G20 Development Agenda, known as the Seoul Development Consensus, was agreed in 2010[16], although development issues have never been at the centre of the G20 attention.

The prospect of a global FTT was first raised in this format by the then German Finance Minister Peer Steinbruck in September 2009. Prior to the Pittsburgh Summit of the G20 he wrote that it could be applied across the G20 countries to ensure that all financial market participants contribute equally to the

[14] A key tax to address global challenges (Translated from the French). URL: http://www.leadinggroup.org/IMG/pdf/A_key_tax_to_address_global_challenges.pdf.

[15] In 2009 G20 became the key forum for national governments to assess and harmonize global financial policy.

[16] https://g20.org/wp-content/uploads/2014/12/Annex%201%20Seoul%20Development%20Consensus%20for%20Shared%20Growth.pdf.

costs of government bailouts, proposing a tax of 0.05% on all trades of financial products[17]. The same year, French President Nicolas Sarkozy and British Prime Minister Gordon Brown gave the nod to it as a way to fund climate change in developing countries. Sweden, consistently resistant to the FTT, sided with the US to promote a bank levy[18] instead. The UK gave Sweden a helping hand after the Conservative Party came to power in May 2010. With global support for an FTT wavering, EU members' reluctance for a bank tax eroded[19], but this alternative idea, in its turn, came up against fierce opposition from countries whose banking sectors survived the worst of the crisis better than the euro zone did: Australia, Canada as well as Brazil, India and Mexico, argued the tax, while allowing to get some extra money, would not prevent future meltdowns. The Canadian leadership did not encourage any serious discussions on the FTT during the Toronto G20 summit in June 2010, either.

In the meantime, in the global context the FTT idea has been steadily debated (along with a solidarity levy on airplane tickets, a financial activities tax, a Value Added Tax on financial services, a nationally collected single-currency transaction tax, a centrally collected multi-currency transaction tax) as a mechanism of innovative development financing, intended to correct the negative effects of globalization. The international debate started as far back as in March 2002, when the Monterrey Consensus on Financing for Development called for new strategies to complement Official Development Assistance[20]. It was spearheaded by the Leading Group on Innovative Financing for Development, established in 2006, whose 2010 report "Globalizing Solidarity: the Case for Financial Levies" highlighted the technical feasibility of such mechanisms, as

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[17] Steinbruck Peer. Steinbruck: G20 should tax financial trades // Financial Times. September 24, 2009.

[18] A tax on financial institutions' balance sheets, with proceeds most likely used to create an insurance fund to bail them out in any future crisis.

[19] Skander Nasra and Debaere Peter. The European Union in the G20: What Role for Small States // Cambridge Review of International Affairs. 2012. iFirst, 1–22. DOI: 10.1080/09557571.2012.678304. Published online: 24 Aug 2012.

[20] See: United Nations. Report of the International Conference on Financing for Development. Monterrey, Mexico, 18–22 March 2002. URL: http://www.ipu.org/splz-e/ffd08/monterrey.pdf.

FTT, in the context of increasingly automated and centralized financial transactions. The same year a group of developed and developing countries[21] signed a political declaration in support of the FTT, stating that they "explore a very small tax on international financial transactions appropriately applied on a large scale and to a wide range of transactions that could provide stable and substantial financing for development, while minimizing economic distortions or damage to the real economy. The tax base, rate and collection procedures could be coordinated among States"[22].

In 2011 the global FTT proposal was tabled at the Cannes G20 Summit by French President Sarkozy soon after the initial EU FTT Directive was put forward. He underlined that part of the revenues had to go to development. The French Presidency of the Cannes Summit asked Microsoft's co-founder Bill Gates to prepare a report on financing for development in advance of the meeting. According to this report, the FTT did not necessarily need to be universal and could, nevertheless, yield substantial resources: "Some modeling suggests that even a small tax of 10 bp on equities and 2 bp on bonds would yield about $48 billion on a G20-wide basis, or $9 billion if confined to larger European economies. Some FTT proposals offer substantially larger estimates, in the $100-250 billion range, especially if derivatives are included"[23]. In Cannes in 2011 the 'coalition of the willing' emerged, including South Africa, Brazil, Argentina, France, Germany, Spain, the EC, African Union, Secretary General of the UN Ban Ki-moon and others, but no consensus was reached, casting additional doubts over the EU leading role in global affairs. Sarkozy indicated in his final speech at the Cannes 2011 summit that the FTT focus is likely to shift to Europe, at least in

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[21] Belgium, Benin, Brazil, Burkina Faso, Congo, Ethiopia, France, Guinea, Japan, Mali, Mauritania, Norway, Senegal, Spain and Togo.

[22] Innovative Financing for Development – Declaration. URL: www.leadinggroup.org/IMG/pdf/pdf_DeclarationTTF_ENG.pdf.

[23] Gates Bill. Innovation with Impact: Financing 21st Century Development. A Report to G20 Leaders, Cannes Summit, November 2011. URL: http://www.leadinggroup.org/IMG/pdf/BillGatesg20-report-english-2.pdf.

shorter term. On the global stage the EU no longer pushed for the FTT within the G20.

At this point we can list several reasons for this failure.

First, the chances of a global FTT, promoted by Europe, were undermined by the start of the European debt crisis, entering an active phase at the end of 2009. It dealt a noticeable reputational blow to the EU as a model of economic governance for the world at large (exposed regulatory loopholes in banking oversight in particular) and made third countries less receptive to European receipts for taming the globalization excesses. Soon after the Cannes 2011 summit China and India issued a joint statement, noting that Western countries needed to “adopt responsible macroeconomic policies to handle the issues of debt and financial stability properly”. There were observations made that proceeds from a global FTT tax could sooner go towards helping indebted euro zone countries than to the global poor. Hence the FTT proposal did not received much attention in the global South, particularly among its political leaders.

At the same time, the emerging countries could interpret the euro zone problems or reactions to them chosen in Europe (including the European FTTs) as an additional chance for themselves in terms of enhancing their own international positions (in case they do not follow European lead). For example, in 2010 Arkadiy Dvorkovich, an Assistant to the President of the Russian Federation in 2008–2012, articulated a paradox: capital requirement strengthened in Europe could accelerate the establishment of an international financial hub in Russia[24]. Such plans, however ephemeral, were dear to the Russian government at that time, and it was particularly attentive to advice of the City of London experts in this regard, showing aversion towards any externally suggested limitations (or burdens) of financial and fiscal nature that could impede chances for their realization.

[24] Студнева Елена. «Двадцатка» в Торонто работала на предотвращение второй волны глобального кризиса // Международная жизнь. 28.06.2010 [Studneva Elena. «Dvadtsatka» v Toronto rabotala na predotvraschenie vtoroy volnyi globalnogo krizisa [*G20 in Toronto worked to curtail the second wave of the global crisis*] // Mezhdunarodnaya zhizn [International Affairs]. 28.06.2010]. URL: http://interaffairs.ru/read.php?item=49.

On FTT in particular, Dvorkovich remarked on the eve of the Cannes 2011 G20 summit: “We are not against, if Germany, France or Italy introduces such a tax, but we are not going to support collective decisions for its introduction. ...To establish an international financial centre in Moscow and to develop a financial market are priorities of the Russian government. In such circumstances introduction of any additional taxes in the financial sector ... is utterly illogical”[25].

But most important for the fate of the European proposal in Cannes was the position taken by the American administration. As pointed out by Oliver Picek of the Austrian Institute of Economic Research (WIFO): “In North America and Europe tax revenues would be similar in size (relative to nominal GDP), in the Asian-pacific region FTT revenues would be lower by roughly one third than in North America and Europe. In the rest of the world revenues would be negligible”[26]. In other words, an international FTT looked, to a considerable extent, as more or less a ‘transatlantic affair’. But whilst the US President Barak Obama was first supportive of the FTT idea, the United States later decided not to seriously consider a financial transaction tax.

Second, economic experts sounded rather convincing when warning, that the FTT could be counterproductive during the times of weak economy. That such warnings are not neglected by decision-makers, is proved by the fact that percentage rates proposed for an eventual European or global FTT have been invariably rather low. In other words, to introduce an FTT, whether European or global, seems to demand more political will in times of economic hardships.

In the euro zone in particular, a positive longer-term economic outlook still remains far from certain, undermining the chances for an earlier introduction of a

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[25] Зыкова Татьяна. От налога не уйти: Аркадий Дворкович предлагает на 20% увеличить их собираемость // Российская газета. 11.10.2011 [Zyikova Tatyana. Ot naloga ne uyti: Arkadiy Dvorkovich predlagaet na 20% uvelichit ih sobiraemost [There is no way to avoid the tax: Arkadiy Dvorkovich proposes to raise the tax collection rate by 20%] // Rossiyskaya gazeta. 11.10.2011]. URL: http://www.rg.ru/2011/10/11/dvorkovich.html.

[26] Picek Oliver. A General Financial Transaction Tax: Financing Development and Enhancing Financial Stability. Paper presented at the Meeting of the UN Economic and Social Council in New York on April 2008. URL: http://www.un.org/esa/ffd/ecosoc/springmeetings/2008/Schulmeister_presentation.pdf.

common FTT. Seasonally adjusted GDP rose by 0.4% during the first quarter of 2015. The euro area seasonally-adjusted unemployment rate was 11.1% in May 2015. Annual rate of inflation in June 2015 was 0.2% (a worse figure than a year before – 0.5 %), the falling provoked by lowering world prices for energy resources. The EC intends to stimulate the economy through realization of an elaborate growth-friendly investment plan[27], meant to attract private investors and paving the way for Capital Markets Union (CMU) by 2019. But the FTT, as its opponents claim, can prove particularly harmful for CMU, as it would "gum" trading of securities in the secondary market[28].

Third, the EU member-states themselves demonstrated disagreements on the issue to the outside audience, which is not the best possible tactics to win over new supporters among third countries. The pro-FTT camp (France, Germany and others) was opposed by Sweden and the UK, fighting to one way or another get the FTT idea out of the global discourse and considerations as a prospective mechanism. The two European countries which were most strongly opposing FTT do not belong to the euro zone, affording ground for expert speculations whether the intra-European 'quarrel' over FTT was somehow linked to the efforts to stop or to promote deeper EU and/or differentiated integration.

Normative power of the EU

As far as theoretical considerations are concerned, the picture painted above could, first of all, fit a design with a two-level game that national executives are playing to increase their influence over the domestic polity. As Andrew Moravcsik remarked: "This is a constant theme in modern world politics, from Bismarck's manipulation of domestic coalitions to the current use of monetary integration by

[27] The Investment Plan for Europe – for the details see, for example: http://ec.europa.eu/priorities/jobs-growth-investment/plan/docs/factsheet3-what-in_en.pdfhttp://ec.europa.eu/priorities/jobs-growth-investment/plan/docs/factsheet3-what-in_en.pdf.

[28] See: Dixon Hugo. Unleashing Capital. September 15, 2014. URL: http://www.breakingviews.com/hugo-dixon-capital-markets-union-needs-deregulation/21164466.article.

today's European leaders to 'strengthen the state' at home"[29] – only this time 'at home' would mean 'within the European Union'. But European institutions do not receive a fair treatment this way: one can erroneously conclude that in the FTT affair the Commission, in particular, played a role of a neutral agent, whose task was to accumulate and to represent the consolidated position of the EU member-states at the international level, without acquiring interests or motivations of its own.

In fact the European Parliament unequivocally supported the tax in two resolutions in March 2010 and in March 2011. The European Council motivated its support for the global FTT in the following way: "The EU should lead efforts to set a global approach for introducing systems for levies and taxes on financial institutions with a view to maintaining a world-wide level playing field and will strongly defend this position with its G-20 partners"[30]. As concerns the Commission, in 2010 it was of the opinion that an FAT is a more preferable option for Europe than a unilateral FTT, which carried a risk of relocation, the latter being more suitable for global application.

By September 2011 the EC, as we have already noticed, suddenly switched sides. In this time period (2010–2011) the European debt crisis intensified – and greater tax revenues were urgently needed to deal with the matter. Under such circumstances it became still more problematic that the greater part (83% in 2015) of the EU budget comes from the GNI-based resources[31]. The FTT can logically apply for a source of EU (or euro zone) own resources – unlike the FAT, a tax with a national character. Besides, the FTT has proved to be politically more relevant: NGOs continued to campaign intensively for the FTT, and the support for it of

[29] Moravcsik Andrew. Taking Preferences Seriously: A Liberal Theory of International Politics // International Organization. 1997 (Autumn), vol. 51, no 4, pp. 513–53. P.526. See also: Putnam, R. (1988) Diplomacy and domestic politics: The logic of Two-level Games, International Organisation, 42(3), pp. 427–460.

[30] European Council Conclusions, Brussels, 17 June 2010, 7. URL: http://ec.europa.eu/eu2020/pdf/council_conclusion_17_june_en.pdf.

[31] The EU budget GNI-based resources (the shares individual countries pay to the EU budget according to their wealth) were introduced in the 1980s, because the EU's own resources had proved insufficient.

both the majority of the EU population and the global civil society remained strong.

At this point we can infer, that the European institutions, the EP and the EC in particular, have fully developed preferences and interests of their own as concerns the FTT. The concept of multilevel governance[32] can be employed, instead of simpler two-level schemas, mentioned above, to more adequately interpret the interactions of state-level and supranational level European actors in global economic governance, which has become an additional arena for their overall political contest, going on in a combination of arenas at one and the same time. A fragmented system of external representation allows bigger member-states to fully retain their autonomy as international players. The global level is less facilitative for European institutions, though, which explains the lower profile of the former in this part of the complex European game.

As a next step in our reflection, it is useful to point out that the Commission opted for FTT instead of FAT in anticipation of the normative superiority of the former. The EU and pro-FTT member-states did not shy away from explicitly normative and ethical overtones when advocating an FTT both 'domestically' and internationally – in agreement with the EU constructed image as a powerful global actor, different in principle to states as actors, a novel type of entity, often explained by referring to it as a 'normative great power'[33], a promoter of norms.

Norms, values and expectations are cultural influences over actors' behavior. Normative power refers to the ability of the EU to influence actions and understandings of others (and sometimes of its own member states) through direct or indirect means of persuasion. The Normative Power Europe (NPE) idea was suggested in 2002 by Ian Manners, who stressed the EU's "ability to shape the

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[32] The multi-level governance model (See: Hooghe, L. and G. Marks (2001). *Multi-level governance and European integration*, Oxford: Rowman and Littlefield) provided a first attempt at capturing more accurately interactions between actors at different governance levels, to which we can add the level of global governance.

[33] See, for example: Bengtsson Rikard and Ole. Conflicting Role Perceptions? The European Union in Global Politics // Foreign Policy Analysis. 2012. Vol. 8, p. 93–108.

ideational constitution of international relations"[34]. Indeed, in certain cases the resource of normative power in its possession allows the EU to define the terms of the global rules (for trade or finance, for example). But the FTT case, as we can see, did not work out that way. It was most important in this particular instant that the USA, the UK and China (financial 'giants') proved resistant to arguments of normative register.

The EU image as a normative power is backed up by its achievements as an aid donor. The EU funding delivers aid for development from two sources: the European Development Fund, financed by direct contributions from EU member states[35], and the general EU budget. The EU and its 28 member states together provide more than half of global official aid. Development is "a legitimate and appropriate EU level policy competence"[36], enjoying strong approval of Europeans[37].

At the same time the NPE is a contested concept[38], evidently in need of additional clarifications. First, states sometimes aspire to pose as normative powers as well – as the United States, China or modern Russia do. Thus, this is not an exclusive characteristic of the EU as a global actor. The EU member states, though, do not usually venture to play a similar role individually. Bengtsson and Elgstro¨m in particular, point out that the Russian leadership recognizes in EU 'a normatively aggressive actor': "a competitive actor with a clearly normative agenda that contradicts Russian key interests, interferes in domestic Russian

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[34] Manners Ian. Normative Power Europe: a Contradiction in Terms // JSMC 2002 Volume 40. Number 2. P. 235–58.
[35] It covers finance for African, Caribbean and Pacific (ACP) countries.
[36] Holland Martin. The EU and the Global Development Agenda // Journal of European Integration. Vol. 30:N 3, pp. 343-362; Diez Thomas (2005) 'Constructing the self and changing others: reconsidering "normative power Europe"' Millennium: Journal of International Studies 33 (3), pp. 613-36.
[37] A recent survey reveals that despite current economic conditions, 85% think it is important to help people in developing countries and 67% believe that development aid should be increased. See: The European Year for Development – Citizens' Views on Development, Cooperation and Aid Special Eurobarometer 421 / Wave EB82.1 – TNS Opinion & Social // January 2015 URL: http://ec.europa.eu/public_opinion/archives/ebs/ebs_421_en.pdf.
[38] http://www.revue-emulations.net/archives/n7/grauls.

affairs, and is insensitive to Russian uniqueness in a historical perspective"[39]. Such ideas may, in their turn, have added to the Russian unwillingness to follow the European leadership as far a global FTT proposal was concerned. Besides, normative power arguments do not pay sufficient attention to the economic and institutional weight of the European market[40], indispensable when discussing the EU influence in global financial governance.

A differing way to explain the global role of the EU is to label it as a civilian power, thus emphasizing "EU efforts to win foreign conformity with its models and standards or to gain first-mover advantages[41]". The problem in our case is that the EU model for FTT has not yet been properly established or tried. We might only assume that such a European tax, when and if successful, could serve as a first step towards building international cooperation on global financial reforms in the future. Or, as an American supporter of the FTT idea does, we might regret that the failure of EU effort makes it less likely for the American Democratic party proposals to tax the financial sector ever seeing the light of day: "If the European Union, or even part of it, were successful in implementing a financial transaction tax, the idea wouldn't have seemed so far-fetched to U.S. lawmakers or anyone looking for financial reform or revenue for deficit reduction"[42].

Alternatively, if reacting to the alarm note, implied in the 'first-mover advantages' emphasis, arguments come to mind about the FTT not being a regulative norm, but a tax, in its proposed European form meant to apply an 'issuance principle', which allows to collect it exterritorialy – and opening a loophole for extending global economic coordination beyond proven practice. Thus, it deserves a second thought about its technicalities, before giving it wholehearted support. After all, the EU does frequently enjoy agenda-setting

[39] Bengtsson Op. cit., p. 101.
[40] Newman Abraham L. and Posner Elliot. Putting the EU in its place: policy strategies and the global regulatory context // Journal of European Public Policy, 2015. Vol. 22, No. 9, 1316–1335. P. 1320.
[41] Ibidem.
[42] URL: http://www.forbes.com/sites/taxanalysts/2013/09/19/the-faltering-financial-transaction-tax-and-the-future-of-wall-street/.

powers, allowing it to define the terms of the global rules under discussion. That is why opponents of the FTT take its intentions seriously.

In search for a more generalized explanation for the instances of immediate failure on part of the EU to exploit its normative power resource in the case of the FTT global promotion, it is useful to lean upon the NPE concept as later developed by the same author. In his 2009 piece I. Manners wrote: “Normative power should primarily be seen as legitimate in the principles being promoted. If normative justification is to be convincing or attractive, then the principles being promoted must be seen as legitimate, as well as being promoted in a coherent and consistent way” [43]. According to Manners’ line of reasoning, the legitimacy of the principles the EU is promoting could result from established international conventions, treaties, or agreements. Hence suggestions followed that a multilateral convention on a global financial tax could help to confirm the EU status as a ‘global Robin Hood’[44].

But the realization of such plans was not helped by the incoherent way of their promotion at the global level. The incoherence arose not only from the co-existence of pro-FTT and contra-FTT countries among the EU members, but also from France and Germany, both supporting the idea, disagreeing on the central point of the proposal, tabled by Sarkozy in Cannes in 2011. According to Sarkozy’s plan, the proceeds of a global FTT were meant to rise new funding to boost aid budgets and to help poor countries adapt to climate change. But German chancellor Angela Merkel’s sherpa reportedly argued that any mention of linking the so-called Robin Hood tax to aid should be removed from the text of the Cannes 2011 summit communiqué[45].

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[43] Manners Ian. The EU’s Normative Power in Changing World Politics // Normative Power Europe in a Changing World: a Discussion / Ed. by André Gerrits. CLINGENDAEL: NETHERLANDS INSTITUTE OF INTERNATIONAL RELATIONS, December 2009.
P. 12. URL: http://www.clingendael.nl/sites/default/files/20091200_cesp_paper_gerrits.pdf.

[44] Van Vooren Bart. The EU as a Global Robin Hood: Proposal for a Multilateral Convention on a Global Financial transaction Tax. Centre for the Law of EU External Relations
CLEER Working Papers 2011/4. URL: http://www.asser.nl/media/1627/cleer2011-4web.pdf.

[45] http://www.theguardian.com/business/economics-blog/2011/nov/06/economics-us-europe-china-crisis.

This episode exposes the limits of the French-German accord on the matter, their disagreements in all likelihood concerning, among other possible considerations, the choice of the eventual euro zone budget expenditure items (an evident linkage in the internal and external agendas of the EU). The half-hearted support of the FTT by A. Merkel is sometimes attributed to the pressure from German social democrats: at some point the Kanzlerin required their votes to pass agreements in the German Bundestag on the European Stabilization Mechanism (ESM) and the Fiscal Compact. In return, the SPD allegedly demanded more active support from the government for the FTT[46].

Not a few experts claim that the EU development policy is not consistent enough (foreign policy objectives in the areas of security, energy or trade presumably often trump development policy considerations)[47]. Some of them attribute such-like inconsistency to the fact that while the EU appeal upon many developing regions is rooted in an offer of an alternative to “the unbridled capitalism of the United States model”, “in its dealings with developing countries the EU may be moving towards a limited, business-like…approach, more akin to the US model”[48].

Yet the FTT case does not confirm these concerns: it may be unusual in this regard, because it targets market correction, inviting for positive integration of global markets. In this sense the global FTT move was consistent with what could be expected of the EU as an ambitious normative power. Nevertheless, immediately after its failure in Cannes in 2011 the EU switched to civilian power resources for the global FTT promotion (the exterritorial qualities of the 2013

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[46] Mijs Arnout and van Eck Sophie . The Financial Transaction Tax: Forerunner of European Integration and Fragmentation // Clingendael Policy Brief No. 25; November 2013, p. 2 URL: http://www.clingendael.nl/publication/financial-transaction-tax-forerunner-european-integration-and-fragmentation?lang=nl.

[47] See, for example: Grauls Sarah and Stahl Anna. European development policy towards sub-Saharan Africa: Challenges of the growing Chinese presence // Emulations. 2010. N7. URL: http://www.revue-emulations.net/archives/n7/grauls.

[48] Mold Andrew and Page Sheila. The Evolution of EU Development Policy // EU Development Policy in a Changing World: Challenges for the 21st Century / Ed by Andrew Mold. Amsterdam University Press, 2007. P. 19

'internal' FTT proposal point in that direction). This seemingly contradictory behavior reveals that the overriding motive for the EU in global promotion of the FTT was its concern with the risk of relocation. In the meantime a global FTT, in and of itself, remains a promising basis for the search of a compromise global development agenda for developed and emerging powers in the G20 format in the future.

Conclusions

The case of the EU promoting the FTT global coordination is illustrative in the sense that it can shed additional light on the importance of the interplay of the EU as a global actor (or a complex international organization) with its structural and cultural environment (rules, norms, values, constrains and benchmarks). The cacophonous presentation of the European initiative in Cannes in 2011 (in the shadow of the euro zone sovereign debt crisis) was definitely not a success, as normative rhetoric could not hide a clash of diverting interests in the European camp. At the same time there is no denying the fact that the EU remains quite influential in international extensive use of its own rules and norms. Overall, the EU leading by example in combination with it assertively exporting the rules of the EU's own oncoming FTT for 11 PMS – in the advancement of its global application – would not contradict the normative stance of the European Union in global development and, on the contrary, could in the longer run contribute considerably to its credibility.