



Europe Onward

Bridging EU Council presidencies: from Bucharest to Berlin



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The present policy memos have benefited from the valuable input provided by:

Constantinos Adamides (Diplomatic Academy, University of Nicosia), **Kristof Bender** (European Stability Initiative/ESI, Vienna), **Benjamin Bodson** (Egmont Institute, Brussels), **Thanos Dokos** (Hellenic Foundation for European and Foreign Policy/ ELIAMEP, Athens), **Peter Grk** (Bled Strategic Forum, Ljubljana), **Vladimir Isăilă** (European Political Strategy Centre/ EPSC, Brussels), **Domagoj Juričić** (MKPS, World Bank, Zagreb), **Rem Korteweg** (Clingendael Institute, The Hague), **Ana Maria Luca** (GlobalFocus Center, Bucharest), **Octavian Manea** (GlobalFocus Center, Bucharest), **Alexandra Martin** (Globsec Policy Institute, Bratislava), **Victor Micula** (Ministry of Foreign Affairs, Bucharest), **Hedvig Morvai** (Erste Stiftung, Vienna), **Christian Odendahl** (Centre for European Reform, London), **Sebastian Ptóciennik** (Polish Institute of International Affairs/ PISM, Warsaw), **Jana Puglierin** (German Council on Foreign Relations/ DGAP, Berlin), **Jonas Richter** (German Council on Foreign Relations/ DGAP, Berlin), **Chiara Rosselli** (Mercator European Dialogue, German Marshall Fund, Berlin), **Dani Sandu** (European University Institute/ EUI, Florence; GlobalFocus Centre, Bucharest), **Senada Šelo-Šabić** (Institute for Development and International Relations/ IRMO, Zagreb), **Daniel Stefanov** (European Council on Foreign Relations/ ECFR, Sofia), **Federico Steinberg** (Real Instituto Elcano, Madrid), **Corina Stratulat** (European Policy Centre/ EPC, Zagreb), **Fabrizio Tassinari** (School of Transnational Governance, EUI, Florence), **Ana Teacă** (GlobalFocus Centre, Bucharest), **Elie Tenenbaum** (Institut Français des Relations Internationales/ IFRI, Paris), **Dmitri Teperik** (International Center for Defense and Security/ ICDS, Tallinn) and **Stefani Weiss** (Bertelsmann Stiftung, Brussels).

Introduction

Oana Popescu-Zamfir, Director, GlobalFocus Center | Bucharest

Daniela Schwarzer, Director, German Council on Foreign Relations | Berlin

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To say that the EU is at a critical junction has become something of a cliché, while also a self-evident truth. Whereas reflections around the strategic directions that the Union might take have multiplied, the reform of the EU itself resembles rather the love life of the elephant, as former Die ZEIT editor-at-large Theo Sommer likes to say: "a lot of dust is raised, then you have to wait 22 months and such a small thing comes out!"

The EU is by nature a slow and heavy animal, with lengthy digestion times. Its inner workings are driven to a large extent by lengthy negotiations and bureaucratic process among the (soon) 27 member states, rather than by grand strategy, political ambition and agile reaction to global shifts. Divergences among the member states have grown over the past years, which has led to stalemate in various policy fields. Think-tankers, policy makers and other actors have put ample ideas on the table to advance European policy-making, but compelling arguments and fresh ideas all too often fall through the cracks due to a lack of political leadership and the capacity to build consensus around new initiatives.

In order to bring together new policy thinking and member states' perspectives, the **GlobalFocus Center**, the **German Council on Foreign Relations (DGAP)** and the **Romanian EU Council Presidency** have convened a high-level group of knowledgeable experts from top think-tanks across the EU. This group was carefully selected to be geographically representative for all member states and reflective of the multiplicity and variety of viewpoints within the EU. Building on the shared vision that the European Union is stronger together, we initiated a platform for dialogue between the expert community and decision-makers. The first result is a series of implementable policy proposals for the incoming EU leadership, providing new impetus for its strategic priorities.

As the kick-off event, our seminar "**Bridging EU Council presidencies – from Bucharest to Berlin**" took place **June 3-4, 2019** in Bucharest, taking stock of the previous Sibiu Summit on the Future of Europe and the results of elections to the European Parliament. Its proceedings brought fresh and concise input to seven policy memos authored by the participants. These memos analyse the state of play and chart possible ways forward with regard to:

- **The EU in a new international order. Thoughts on Europe, Trump and Sino-American competition;**
- **The EU and the Balkans: going beyond the enlargement agenda;**
- **Migration, borders and integration;**
- **Europe and the hybrid threats conundrum: the case of manipulation of information;**
- **Economy in flux: digitisation, energy security, climate change;**
- **The eurozone – a still unfinished business;**
- **Europe 2030. A strategic framework to make populism obsolete.**

The guiding idea for each memo was not only to look out for new policy ideas, but also to establish the panorama of member states' preferences and reach an understanding of the key contentious points we need to tackle if the EU is to move forward. Authors were asked to address their country's positions on the respective topics, identify allies and opponents, and explore ways to get to a common position or compromise.

Yet, we did not aim for a single, ultimate joint vision that all of the participants and organisers could subscribe to. Instead, the proposed solutions have emerged from the (sometimes heated!) negotiations of different and even diverging perspectives, and they represent merely a base for the beginning - rather than the end - of the conversation.

We are extremely grateful to all **participants** for their effort and contribution, and especially to the **authors**. Our sincere thanks go to Constantinos Adamides, Kristof Bender, Benjamin Bodson, Thanos Dokos, Peter Grk, Vladimir Isăilă, Domagoj Juričić, Rem Korteweg, Ana Maria Luca, Octavian Manea, Alexandra Martin, Victor Micula, Hedvig Morvai, Christian Odendahl, Sebastian Plóciennik, Jana Puglierin, Jonas Richter, Chiara Rosselli, Dani Sandu, Senada Šelo Šabić, Daniel Stefanov, Federico Steinberg, Corina Stratulat, Fabrizio Tassinari, Ana Teaca, Elie Tennenbaum, Dmitri Teperik, and Stefani Weiss.

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We wish you a pleasant and thought-provoking read.

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Thoughts on Europe, Trump and Sino-American competition

Rem Korteweg, Clingendael Institute | Netherlands

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challenges

Multilateralism is under pressure and the European Union is increasingly at risk of being squeezed between Beijing and Washington as Sino-American great power competition kicks into gear. The EU is pressured to take sides on issues ranging from the international rules-based trade order to 5G telecommunications infrastructure and developments in the South China Sea. At the same time the Union faces challenges to its internal cohesion as the United States and China seek to strong-arm individual member-states to support their agendas.

Both the United States and China pursue a tactic of preferring bilateral relations over dealing with the EU's multilateral structures. If anything, European governments must realise that allowing themselves to be tactically divided by either the US or China will weaken Europe strategically. This trend towards increased bilateralism threatens to undermine EU cohesion, but it also challenges the existing multilateral order. It is one of the central challenges that the EU faces today. And thus, "system preservation" has invariably become an objective for European foreign policy. Whether it is institutions like the WTO or NATO, or international agreements such as the Paris Climate Accord or the Iran Nuclear Deal, Europe is playing defence.

Europe's response to Sino-American competition is troubled, amongst other reasons, because of a conflicted attitude towards the current US administration. There are profound concerns across Europe about what Trump's policies mean for the future of the international security and trade order. Trump espouses a hyper-realist approach to international affairs where "the strong do what they can, and the weak suffer what they must." Instead of a rules-based world, he seeks a deal-based world. Rather than being voluntarily constrained by binding intergovernmental agreements, Trump favours throwing America's economic and military weight around in bilateral trade or security deals. He seeks a world where sovereign countries negotiate and bargain, rather than that they agree on common rules which act as constraints on everyone. Allies are reduced to clients and every diplomatic or trade transaction is viewed in zero-sum terms. Such a worldview is anathema to the European Union's. It also represents a break with 70 years of transatlantic cooperation. What can Europe do?

solutions

Double down on multilateralism. On trade, Trump uses national security arguments to motivate his decision to place tariffs on steel and aluminium exports from NATO allies, and has described the EU as a “foe” saying it was created to take advantage of the US on trade. Trump undermines the WTO by blocking the appointment of officials to the organisation's appellate body out of frustration with the organisation's inability to address China's violation of trade rules. Tariffs come and go, but the WTO could perish under Trump's policies, breaking an important pillar of the rules-based trading order. This would also make it more difficult to manage trade tensions with China. This is especially confusing for Europe as Washington and Brussels agree on the challenge China poses to the international trading system—there is no trading power with which the EU has so many disputes as with China—but strongly disagree on the means to address it.

It is crucial that the EU continues to promote multilateral action. For if the EU does not take the lead, it is hard to see another country or group of countries doing so. The EU and its member-states should align with like-minded states like Japan, Canada, Australia, South Korea and Mexico to promote trade multilateralism, either to send a signal to Washington, or to preserve what can be preserved of the multilateral order, for instance by agreeing on formats that will allow the WTO and its dispute settlement mechanism to continue, while simultaneously engaging with the US in an effort to reform the institution.

Another element is to focus on new trade agreements. The EU has recently concluded, and is negotiating, trade agreements with countries, and groups of countries, as diverse as Vietnam, Singapore, Mercosur and Mexico. The objective of these agreements is not just to reduce tariff barriers, but also to remove non-tariff restrictions to trade by agreeing on new standards and trade rules. The more trade agreements the EU signs, the bigger the chance that the international trade rulebook that the EU favours survives, despite Chinese violations and US unilateralism.

Europe United. On security, given Trump's public questioning of the continued relevance of the NATO alliance, America First will increasingly inspire a push for Europe United. In light of Trump's policies, and following Britain's decision to withdraw from the EU, there is now a stronger push among EU member-states to align, coordinate and further integrate elements of their foreign and defence policy. It will not mean NATO's obsolescence, but it means that increasingly the EU could become the centre for continental debate and deliberation regarding defence integration. It also means that the EU will get a strong role on coordinating European capability development and procurement efforts. It remains to be seen whether these EU efforts can deliver, but one requirement is that EU member-states take defence spending seriously. So far, the record is mixed.

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Increasing European defence expenditures to 2% of GDP makes sense whether one wishes to accommodate Trump and keep the US committed to NATO, or if one thinks that the United States will turn its back on Europe. Any suggestion that this would lead to the development of a "European army" should be dismissed, however, as it plainly misrepresents current European defence realities.

One issue arising from increased European defence expenditures, however, is that this is likely to be accompanied by a tendency towards "buying European". US politicians and policymakers have repeatedly alluded to this over the past year. They view with some trepidation the increased role in defence for the European Commission and the creation of a European Defence Fund. Critics in Washington say Europe's discussion about "strategic autonomy" equates to a push for "industrial autonomy". They point out that increased procurement of European capabilities could mean a weakening of military interoperability with the US, undermining transatlantic collective defence. These concerns must be dismissed, however. European governments should insist on the United States to make up its mind; the US cannot complain about inadequate levels of European defence spending and, when those expenditures increase, complain that they are undesirable because they fail to benefit the US defence industry. Higher European defence spending is a net benefit, whether it translates into Europe procuring US kit, or not.

But this will not be sufficient. Due to Brexit, and the important role that the UK plays as a security provider in Europe, there is a growing demand for a novel European format to discuss strategic foreign policy issues affecting the continent. Based on the experience of EU-3 cooperation, the creation of a "European security council" made up of Britain, France and Germany and several other countries is worth considering. This security council could help structure the formulation of European defence and security requirements in the age of Trump and Brexit.

Think about China. Transatlantic tensions mean Beijing should be expected to continue to lure European governments into its orbit. Over the past decade, China's chequebook diplomacy and its growing economic muscle in parts of Europe has gradually translated into greater political influence there. China's 16+1 format has given Beijing strategic access to a group of central and eastern European countries outside of the remit of EU coordination and oversight. Countries like Germany, which are now specifically singled out by Trump's criticism, have tended to take a benign, market-oriented view of deeper engagement with China. Besides, at a moment when Trump threatens Europe with tariffs, President Xi has said that China seeks to protect and promote global free trade. It has led some in Europe to question whether China

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could be an antidote to Trump's protectionist agenda. In short, Beijing has found a way to push buttons across many parts of the EU. As geopolitical tensions between the US and China increase, these member-states find themselves playing catch-up on the broader strategic ramifications of their close ties to Beijing. The EU has a crucial role to play to help its member-states understand the challenge China presents. The European Commission now describes Beijing as a systemic rival, but it must do more to help this reality sink in with European national bureaucracies.

In the years ahead, the international landscape will principally be shaped by relations between China and the United States. The bulk of America's attention will increasingly be focused on economic and military competition with China. In this emerging great power struggle, Europe's role is less evident. Without a common European approach to this new great power competition, and given China's increasing influence in Europe, including in EU member-states, it is to be expected that the US and China will 'compete' over Europe. This is already becoming apparent in central and south-eastern Europe. The consequence is that if unprepared, the EU could be 'divided and ruled' by Washington or Beijing. This calls for better coordination inside the EEAS and within and among national bureaucracies to coordinate their "US" and "China" strategies: not just between different ministries but also among the "US" and "China" desks in the relevant ministries. It also calls for strategic discussions at EU-level on how to respond to this great power competition. The new HR/VP should take the lead on this issue.

Engage the US where possible. Europe should reach out to 'like-minded' countries: those countries that share its concerns over the breakdown of the multilateral trade and security orders. The EU should invest in stronger trade and security cooperation with states like Canada, Japan and Australia. Yet ultimately, there is no substitute for continued transatlantic dialogue. A hard-nosed assessment of common interests will determine whether the US and Europe remain close, even amidst the transactionalist atmosphere of today's transatlantic relationship. There are few topics in international relations that would be better addressed without transatlantic cooperation and it is hard to imagine the US and Europe no longer cooperating on the big global challenges of the day. The rise of China seems to be an obvious issue on which Europe and the United States should engage more. It is worth remembering that a structural rift between Europe and the US is precisely what Beijing (or Moscow) wants. ■

The EU and the Western Balkans: going beyond the enlargement agenda

Corina Stratulat, EPC | Brussels

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In the crisis-ridden European Union (EU) of the past years, **enlargement policy has struggled to keep a high profile on the EU's agenda**, let alone reap successes. Although the accession track has remained open to the EU-aspiring countries in the region, the **process has often been derailed** not just by outstanding challenges pertaining to the Western Balkans, but also by considerations linked to national politics and public opinion on enlargement in the member states. Preoccupations related, for example, to the freedom of movement of people, minorities, asylum seekers, the sustainability of welfare systems, bilateral disputes, economic prospects, border definition, and poor governance have made EU capitals increasingly assertive about which Western Balkan countries should advance towards accession and under what conditions.

At the June 2019 EU Summit, the member states, led by France and the Netherlands, insisted on postponing a decision on the opening of accession talks with Albania and North Macedonia to October, ignoring the European Commission's positive recommendation in this regard once again. A year earlier, the June Summit had resulted in a similar delay, as the EU capitals asked the two candidates for further progress on conditions set. The recent European Council was unable to reach agreement on moving forward, on account of the EU's internal divisions and challenges. In fact, North Macedonia had seen its EU path blocked for many years previously because of its acrimonious name dispute with Greece. Such **incursions**, which are becoming ever more frequent, including from direct neighbours like Croatia, as well as other issues such as, for example, the position of the five EU member states that do not recognise Kosovo's independence, might set the bar high for the aspiring countries for good reason. But they also **tie enlargement to the vagaries of domestic politics**, making it an unpredictable process.

What is more, **the member states have gradually sought to strengthen their control over outcomes on the dossier**. The German Bundestag in particular has taken a key role in assessing progress in the region itself, rather than relying on the opinion of the Commission, and strict parliamentary scrutiny of EU affairs now also shapes national positions on enlargement in the Netherlands, Denmark and Sweden. France, meanwhile, has introduced the possibility of a referendum on enlargement unless the government can rely on a large favourable majority in the Assemblée Nationale, while the Netherlands and Austria have been considering new constitutional requirements for ratifying future accession treaties. These mechanisms may make the process more democratic, but they also allow the member states to diverge in functional terms from the agreed standards and procedures for handling enlargement. Conditionality only works if it is consistent and credible, as well as driven politically by the overall commitment of the EU member states, as manifested at key decision-making moments. The **ongoing "creeping nationalisation" of enlargement has slowed down the process and weakened the policy's leverage**.

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It has also revealed that, despite the adoption of enlargement as a priority for the recent Austrian, Bulgarian, and Romanian Council Presidencies, the **member states have lost their appetite for expansion**. This has made it easier for other actors—most notably Russia—to meddle in and cosy up with countries like Serbia, Montenegro, and Bosnia-Herzegovina, frustrating the EU's efforts to guarantee Europe's security.

At this point, the member states will not backtrack on the enhanced conditionality for the Western Balkans region, and there is certainly nothing wrong with the EU clearly marking its 'red lines' for would-be members. However, **the way forward in this situation is not less but rather more engagement** between the EU and the Western Balkans, within and in parallel to the enlargement process.

Fears that the Union's 'widening' to the Western Balkans would mean importing the region's problems fail to recognise that **the line between "European" and "Balkan" challenges is increasingly blurred and uneven**, not least due to an already well-advanced level of integration between the two. By now, the Union is the Western Balkans' key trading and investment partner, as well as its main socio-economic and political model of development. This means that the Western Balkan countries take the brunt of decisions and developments inside the Union, while also being natural allies for the member states at a time when the EU's traditional allies – like the United States and the United Kingdom – seem to be in retreat.

The fact that **the interdependence between the EU and the Western Balkans goes beyond geographic proximity** has been underscored by the financial, economic, and refugee/migration crises. As EU business and banking activity in the Western Balkans contracted during the crisis years, the region saw a steep rise in (youth) unemployment and state debt, akin to the situation in many member states. Likewise, the Western Balkan countries' role in helping the EU manage the inflows of irregular migrants has been crucial, demonstrating that the Union's ability to cope with the pressure and provide organised and safe reception of refugees and migrants heavily relies on the region's capacity to process and manage arrivals.

But the **EU and the Western Balkans also share the same problems and interests** when it comes, for example, to geopolitical instability in the neighbourhood, the unpredictability of big global players (especially Russia), terrorism, radicalisation, organised crime, cyber-attacks, illiberal tendencies, demographic decline, climate change, as well as the region's own unresolved war legacies. Such threats keep the two sides not just on red alert, but in the very same rocky boat. ■

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This interdependence between the EU and the Western Balkans begs for joint action if the two neighbours are to successfully navigate in today's complex and unpredictable world. Thus, instead of retreating into navel-gazing — like the French President Emmanuel Macron suggested at the Sofia Summit in 2018 when he made his first call for consolidation before enlargement — **the EU should strengthen and diversify the ways in which it reaches out to its allies in the Western Balkans.** The member states should consider new, pragmatic ways to engage with the aspirants from the region while they wait to accede, shifting focus from the 'when' of enlargement to 'what' can be achieved through constructive cooperation for mutual benefit.

To this end, the EU should **involve all Western Balkan governments and parliaments as observers** in selected meetings, including those of the Council of Ministers and working groups, the European Council, and especially debates about reforms in areas such as the Single Market, the eurozone, strategic infrastructure projects, security, or migration and asylum. The same goes for the Union's efforts to tackle structural challenges like 'brain drain', lack of human capital, poor education, and ageing societies, because joint problems require joint solutions. Such a commitment could signal to the Western Balkan countries that the EU takes them seriously, in the spirit of true partnership, and is interested in policy co-creation rather than mere policy transfer to the region.

In addition, the European Commission should **develop more intense bilateral contacts with member states around the Balkans**, for example by organising meetings with foreign ministries and national parliaments to discuss enlargement. It should coordinate better with other EU-level actors (like the European External Action Service, the (European) Council, the European Parliament, the European Economic and Social Committee, the Committee of the Regions, and the Regional Cooperation Council), as well as with civil society. This will allow the Commission to build bridges and restore trust between the member states and the countries of the region, as well as to expand the pool of data informing its country reports for a more reliable assessment in the eyes of the EU capitals, which hold the final say on the dossier.

To keep the transparency and accountability of Western Balkan political elites in check, the EU should **do more to address the "executive bias" of its enlargement process and empower the Western Balkan societies** through smart, inclusive and, probably, expensive policies. Current proposals include opening European Structural Funds to the Western Balkan countries (such as to support infrastructure projects); extending the use of the EU's financial stability mechanisms to the region or enabling circular migration and access to the EU labour market as a preventive measure against irregular migration; deepening integration in Justice and Home Affairs (JHA) for more effective joint action

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in relation to migration, and the fight against corruption and organised crime. Others suggest commissioning regular "shadow" reports on the state of democracy by civil society organisations in the region, providing more financial and technical support to the Regional Economic Area and Connectivity Agenda for the Western Balkans, agreeing to additional structural funding in the EU's next Multiannual Financial Framework (MMF), and even giving the Western Balkan states membership in the Single Market by 2025. The upcoming Croatian and German Council Presidencies should make discussions about these and other concrete proposals one of their priorities.

Consequently, there is no shortage of ideas for how to proceed. What is lacking is vision and political courage. The worst that can happen now is to pretend that the EU can afford to be in the same boat with the Western Balkan countries, on a turbulent global sea, but not ensure that they are rowing in the same direction. ■

Migration, borders and integration

Thanos Dokos, ELIAMEP | Greece

Senada Šelo Šabić, IRMO | Croatia

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challenges

There is increasing concern about migratory movements from Europe's broader southern neighbourhood to various European countries. Demographic pressures in the global South are producing social and economic strains and a steady stream of migrants seeking jobs and social security. The number of migrants and refugees is expected to further increase because of various conflicts and of climate change. Therefore, **migratory flows caused by economic, environmental or security threats** will — for the foreseeable future — remain a major, even critical challenge for Europe, which has to develop an efficient long-term migration management policy.

Europe is currently facing **daunting challenges**: monitoring and protecting its borders while trying to uphold human rights, coordinating relevant policies, managing migration flows, attracting skilled labour, managing tensions with migrant groups (especially Muslim communities) to protect social cohesion and stability. The **economic and social cohesion and security rationales for a European migration policy appear to be diverging**. In principle, demand for labour might encourage a more liberal attitude toward economic migrants from the global South, or the development of new guest worker arrangements with North African and other states, on a national or European level.

Nevertheless, there is no current consensus on security and economic aspects of migration at the EU level, as discussions tend to end in a stalemate. There appears to be no middle ground on key issues like a common asylum policy, burden sharing, integration strategies of migrants and refugees, as well as radicalisation and prevention policies. Also, there is **no common position among EU institutions**, as the Council, the Commission and the European Parliament are divided on who should take the lead and who should have which competences when it comes to migration.

The **EU-Turkey deal continues to stir debate**. While some defend it as a pragmatic solution that the EU has to sustain under the current circumstances, others criticise it for the fact that by supporting the deal with the Erdogan regime, the EU is compromising its basic values. In addition, the idea of reception centres outside of EU territory is dead in the water because of the extreme reluctance of possible partner countries to cooperate.

Cooperation with transit countries remains, of course, an important topic, as many migrants come to the EU through countries such as Morocco, Libya, Turkey, and even Iran (in the case of Afghans). The cooperation between Morocco and Spain is a good example of efficiency. Many would consider the EU-Turkey Statement, however controversial it might be, as another such example. There is good reason for the EU

challenges

to provide financial support and incentives to some key transit countries, under the strict requirement of treating migrants as humanely as possible. It should be noted, however, that key transit countries falling in the category of weak or failed states, as is the case with Libya, create a nightmare situation for multiple reasons, including migration management.

Cutting or completely suspending **search and rescue missions in the Mediterranean** are reflections of tension and frustration in Europe with the current waves of migration. Instead of saving people at sea and safely bringing them to Europe, Italy and the EU (a) outsource to Libya the authority to prevent migrants who embark on boats towards the EU and (b) return those whom they intercept. An outcry from international organisations and humanitarian NGOs about dire conditions to which migrants are subjected in Libya has not amounted to policy change. As a result, commercial ships also face the uncomfortable position of having to choose between the duty to rescue people who find themselves in life-threatening situations and the possibility to be stranded at sea for weeks due to the closure of Italian ports and the inability of European states to agree on a common disembarkation mechanism. Due to conflicting views on quota distribution, burden sharing, asylum standards, reception responsibility and many more, the **Common European Asylum System has limited prospects of becoming fully functional in the near future**. Once there is agreement at the political level, operational questions regarding the cooperation between national authorities, the European Border and Coast Guard Agency (FRONTEX) and NATO have to be addressed.

The only issue where there is some agreement is that the EU's capabilities and performance need to be visibly improved through **border protection**. Various member states disagree, however, on the role and jurisdiction of the European Border and Coast Guard. Some are willing to accept a greater role; others emphasise sovereignty issues.

Member states are most divided over a possible "European solution" to the migration problem. The Visegrad countries strongly emphasise security and identity issues and are extremely reluctant to accept even a small number of refugees and migrants. Xenophobia and islamophobia are gaining currency in a number of European countries. Austria and Denmark, as well as Finland and Italy are positioning themselves closer to the Visegrad group. Germany is leading a group, including countries such as the Netherlands, Portugal, Spain, Greece and Sweden, generally supporting a Europe-wide solution to migration. Croatia is positioned between these two groups. While it supports a European solution, it increasingly approaches migration strictly as a security issue. It also prefers to remain a transit rather than a destination country for migrants. ■

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Should groups of countries move ahead with certain initiatives? While this would go against the EU's general logic to try to reach a consensus, it might be the only way to make progress in the short-term, especially in cases where the situation has been stalemated. As such initiatives may also hurt the cohesion of the Union, some skilful consequence management might be necessary. The success a group of member states could achieve in implementing certain initiatives might dispel concerns of some currently reluctant or opposing member states and prompt them to join an initiative. The stubborn insistence on cohesion at the expense of functionality and progress does not work for the EU either in the long or short term.

Due to the complexity of migration issues and their often unpredictable interaction with other policies, there are **no easy, quick or one-dimensional solutions**. There is also considerable uncertainty about the evolution of the international and regional security environment. Any new strategy on migration will therefore need to **focus on the world beyond the EU's borders** to address the root causes of migratory flows, helping to broker an end to various conflicts and providing opportunities for the affected communities to stay as close to home as possible.

More specifically, as there is no magic bullet to deal with Europe's migration challenge (but also its demographic crisis, which is a separate but connected challenge), an effective management policy will be multidimensional and should have the following components (not listed in order of importance):

- Design and implement tailor-made developmental assistance to countries of origin (preventive approach);
- Instil a sense of shared responsibility through a dialogue based on trust and mutual respect;
- Engage in effective conflict resolution in Europe's broader southern neighbourhood;
- Sustain a carrot and stick approach towards countries of origin to accept the repatriation of larger numbers of economic migrants;
- Encourage circular migration;
- Foster effective integration policies of migrants in European societies. Education is key. Hurdles should be anticipated as not all refugees may be capable or willing to be integrated;
- Provide conditions that stimulate higher birth rates in Europe;
- Actively address workforce shortages. Expand incentives to attract high skilled migrants;

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- Initiate and maintain a continuous dialogue with European citizens on migration challenges;
- Advance more efficient protection of the EU's external borders and better coordination on issues of internal security;
- Create a High-Level Group/Migration Council (with senior former policymakers, statesmen, experts) to draft a long-term migration strategy for the EU.

Migration is just one of many challenges facing our continent (and the world) today. Despite the sense of urgency, fear and confusion it provokes, the EU can and should consciously nurture a sense of calmness and aptitude. **Panicking does not help. A strategic, rational and determined approach does.** ■

Economy in flux

Alexandra Martin, GLOBSEC Policy Institute | Slovakia

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All is not doom and gloom in Europe's economy. Until the beginning of 2019, the EU and the Euro Area had grown for 23 consecutive quarters and economic growth is set to continue in 2019 and 2020. The unemployment rate in the EU28, at 6.5% in January 2019, is the lowest rate recorded since the start of the EU monthly unemployment series in January 2000. Investment is picking up, filling the gap left by the crisis years. Nevertheless, an economic slowdown is always possible — if not already underway — and important additional challenges lie ahead, urgently calling for solutions. Divergence between groups of member states might lead to further divides, imbalances and preference for short-term band-aids over long-term structural reforms.

Working towards the completion of the European Monetary Union

challenges Today EMU's institutional and economic architecture remains a contentious issue within the bloc and across the Euro area, as fears of a multi speed Europe continue to develop amongst the euro-outs. The lessons of the economic crisis fell short in implementation, as the reforms needed to address differences in economic development; discrepancies between monetary policy and national policies are still discussed.

In medium and long term, EMU should not only deliver a robust mechanism for shock absorption, but also enable upward convergence, economic policy coordination, sustained growth, full employment and solidarity across the entire union. The next stage of the EMU should focus on risk sharing through the completion of the Banking Union and integrated financial and capital markets, which remain severely underdeveloped across CEE. Subsequently, risk-sharing should be backed up by a mechanism for fiscal stabilization, with particular focus on national fiscal policies, price and wage divergence and debt sustainability, where most CEE countries lag behind. By not tackling the existing structural shortcomings of the EMU design and the calls for inclusiveness of non-euro countries, the union is creating an even greater dividing line with fewer chances of a successful process of economic convergence and financial integration.

solutions

Next for the Single Market

challenges The establishment of the common internal market remains without doubt a distinguished feature of the European project. Efforts to deepen the market swayed from the 'ever closer union' to 'market fatigue', as substantial barriers to cross-border exchange and partial liberalization remain to date heated conversations amongst the member states.

challenges Yet, all EU countries but Britain and Ireland trade more with other EU countries than with the outside world.

The capacity of all European economies to generate higher growth of incomes, jobs and productivity remains affected by the incompleteness of the Single Market. National borders, trade barriers, outdated rules and protectionism continue to curb market opportunities. CEE countries continue to be highly dependent on both capital and knowledge imports, while fragile in face of economic migration. These imbalances led Romania to lose to date about 20% of its active labour force, and Germany to gain over 2.5m workers from CEE.

Decision-makers should focus over the medium and long term on the untapped potential areas such as services, energy, digital and capital markets. The European market is splintered with as many as three times more services companies than in the US. Priority reforms should be centred around creating a competitive business environment for job creation across the union, addressing behaviour that distorts the level playing field, and identifying sectors where technology and innovation can be traded across border. Europe must depart from national champions and enable economies of scale that allow it to compete globally, lower consumer prices and enforce actions that improve cross border access to services. In the words of the Dutch Finance Minister Wopke Hoekstra, Europe can no longer “apply bricks and mortar rules to a digital economy.”

solutions

A fully interconnected digital Europe

challenges Europe has strong traditional industrial sectors but has fallen behind Asia and America in the technological race in certain areas, such as the digital economy. Current EU regulation lags behind rapid technological evolution. Many rules in place are hindering the potential for digitization and the EU's response must be immediate, timely and effective. Europe must remain industrially strong and retain its global leadership in manufacturing. The shift towards automation, data exchange and the emergence of artificial intelligence underlines the importance of a digital infrastructure to the EU's industrial competitiveness.

However, much more cutting-edge research in new technologies is needed. Europe's failure to increase R&D spending to the desired level of 3% of GDP represents the most significant failure of the Europe 2020 Strategy. This could be coupled with a reform of the EU's budget. The current budget presents only 1% of the European economy, but it has the potential to support integration and economic growth by fostering EU-wide

solutions

research, including new technologies. Thus, spending on the European Research Council should be multiplied to allow for large-scale projects, which are absolutely natural in the United States or China. In another first step, interconnection among national authorities and uniform rules for electronic procedures across the EU must be ensured. A fully interconnected, digital Europe would help businesses, especially SMEs, to go cross-border and capitalise on the opportunities of the Single Market.

solutions

Working towards a Carbon Neutral Europe

challenges The current economic model is not fully encouraging more sustainability; therefore, a redesign must be in sight. Climate change and decarbonisation policies are not a threat, but an opportunity and Europe should build on its success so far and better link regulatory and investment incentives with targets and sustainable regulation. We have many technological options at our disposal, like wind, hydro and solar in power generation, LNG in heavy duty vehicles, e-mobility in cities, passive or even active houses. The costs of many technologies are going down and with reasonable R&D and regulation policies, they can be further decreased. We should aim to replace imported fossil fuels and decrease our dependency from geopolitically instable regions and bring growth and jobs to our European economy.

Looking from the CEE region towards Western Europe, one frequently gets the impression as if the only thing that mattered was how to create a greener and even more social Europe, and to save the global climate. However, meeting a climate-neutral economy for all EU MS by 2050 requires a just transition, supported by robust financial incentive packages, technological alignment and clean mobility strategies. The V4 countries are highly dependent on the automotive industry, with a GDP share of 8% to 13%, and a significant role in economic growth, exports and employment level. A green transition cannot be achieved if the public sector is alone in enabling a low-carbon and energy-efficient economic model. A main sticking point remains: while the EU has reduced CO₂ emissions by 23% since 1990, global CO₂ emissions have at the same time increased by 2/3. China is now by far the largest emitter of carbon dioxide. Against a backdrop of loose political will, unbalanced demographics and signs of economic slowdown, Europe must champion a global effort to fight climate change. ■

solutions

The eurozone – a still unfinished business

Sebastian Ptóciennik, PISM | Poland

Federico Steinberg, Real Instituto Elcano | Spain

Europe Onward.

Bridging the EU Council presidencies: from Bucharest to Berlin

challenges

The euro was expected to make Europe stronger and more integrated. So far, it has not succeeded in this endeavour. Moreover, current **differences between member states** make it very difficult to reform and enlarge the Economic and Monetary Union (EMU).

First, the **internal design is incomplete**. The EMU underplayed the importance of banking, fiscal and political union and failed to provide the right incentives to promote the structural reforms. There have been substantial changes, including the creation of the European Stability Mechanism (ESM), key pillars of the banking union and the strengthening of the economic governance framework. But this is still not enough to secure the eurozone's future; and member states are far from reaching a consensus on how to achieve that, precisely when turbulent geopolitics would require that the EU could use the euro as a foreign policy instrument.

The second challenge—less urgent but still important—is **enlargement**. There are still seven EU members which are obliged to join, but so far have not been willing or able to meet the criteria. This division makes up a threat for the long-term coherence of the single market (asymmetric access to devaluation), differentiates the integration politically, as well as exposes the EU to speculative currency attacks against selected countries, but with the potential to harm the whole Union. ■

solutions

Deep reform cannot be achieved overnight: it will move forward in small, gradual steps. Approaches for progress should focus on four areas. The first one is about different aspects of **financial integration**, namely about the single market, particularly in the services area, the banking union with a common deposit guarantee mechanism, further convergence in bankruptcy laws, and fiscal backstops, as well as the deepening of the capital market union.

The second field concerns establishing more **economic convergence** between different eurozone countries. Positive incentives need to be put in place for countries to undertake unpopular structural reforms on an ongoing basis so that their economies are flexible, innovative and socially inclusive enough to survive within a single monetary area. The work of the European Semester and its country-specific recommendations could be useful, but they need to be enforceable by designing an intelligent incentive structure. In any case, national-level reforms will not be enough. The EMU needs pan-European public goods, such as security, border protection, digital transformation, climate change policy, which, if well designed, commonly financed and executed, will contribute to a higher stability of the euro area.

The third area is to **extend fiscal capabilities** by creating a Central Fiscal Authority (CFA) with own revenues and the ability to issue joint debt. Its President should be proposed by the Eurogroup to become the Commissioner for the euro; a newly created Committee for EMU affairs in the European Parliament should specifically ratify his/her appointment to ensure democratic legitimacy. Input legitimacy at the European level is important because the CFA's President, who would be in fact the Euro finance minister heading an embryonic eurozone treasury, would be responsible for enforcing fiscal and macroeconomic rules. These rules should be monitored at a technical and independent level and be simplified to achieve more credibility.

The fourth area is **crisis prevention and management**. As long as there is no large eurozone treasury with a sizable budget capable to deal with asymmetric shocks, all eurozone sovereign bonds should continue to be considered low-risk assets, implicitly backed by the ECB, leaving the possibility of public debt restructuring as a very last resort option. A possible measure could be a cap on yield spreads (e.g. 300 basis points) which would limit the risk of instability in the bond markets and of deepening the financial fragmentation. In this design for crisis prevention the ECB should act as the lender of last resort for illiquid but solvent member states stressed by financial markets.

However, in the event of an official insolvency of a member state, the CFA would take control of its public finances and negotiate a memorandum of understanding with the

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country under stress, which would lose part of its sovereignty. The CFA would then be in charge of monitoring and implementing the adjustment program under the parliamentary scrutiny of the Committee for EMU affairs of the European Parliament.

At this point, it seems clear that these proposals encounter important **political economy obstacles** for their implementation. In particular, the **north/south (creditor/debtor) division within the eurozone** has not disappeared. Whereas the countries of the so called "New Hanseatic League" plus Germany seem to oppose any risk sharing before there is substantial risk reduction, countries in the south plus France consider that risk sharing and risk reduction should proceed simultaneously. This implies that the "northern" countries oppose any fiscal stabilisation function or a common deposit insurance scheme for the eurozone, while those in the "south" consider them not only indispensable, but also urgent. In particular, they point out the need to fix the eurozone's architecture before the next crisis hits.

The key obstacle for overcoming this deadlock is a **swelling conflict between Italy's Eurosceptic government and northern Europe**. This poses a huge risk because an eventual escalation in Italy's risk premium (due to banking difficulties or to doubts in the capacity and willingness of the government to service its enormous public debt) could bring back the euro crisis. Italy is much larger than Greece, its government might not be willing to apply for a bailout that would imply a substantial loss in economic sovereignty, and the German (or other) Parliaments might not be willing to approve such a bailout. However, as the European experience has shown, **we might need some sort of crisis in Italy for EMU reform to move forward**.

Alternatively, the current geopolitical landscape, characterised by US unilateralism and by ongoing American threats to European economic interests (trade war, secondary sanctions to European companies that do business in Iran, etc.), might open the possibility of a new consensus emerging from the need to **foster the role of the euro as an international currency**. There is a growing understanding that the euro needs a safe asset and improved governance if it is to be more widely used outside Europe. The European Commission has put forward a number of proposals to achieve this goal and even the more conservative "northern" countries are willing to discuss them. However, this window of opportunity might not be enough to solve the "Italian issue".

Finally, **progress in enlargement of the monetary union cannot be taken for granted**. Bulgaria, Croatia and Romania are interested in a quick path to the euro. However, there is little enthusiasm for their membership on the eurozone's side – stressed with their own internal tensions and concerned with institutional and economic weaknesses of

solutions

these three candidates. On the other hand, stronger non-euro economies, like Poland, Sweden or Czechia (possibly supporting the "Northern Europe's" financial bias) are not interested in joining the EMU in the foreseeable future. They have performed much better in recent years than the eurozone's average, thus their societies have become more skeptical towards the common currency.

The problem with the eurozone's enlargement is that its **current drivers are rather negative**. These drivers – fueled by the upcoming Brexit – include fear of political marginalization among the non-euro countries caused by ideas of exclusive euro-integration (e.g. eurozone budget, own minister of finance) or differentiated integration. There is also fear of being left to one's own devices in case of a crisis, without access to financial assistance available in the eurozone. It is essentially about weighing costs of membership against costs of being outside. But a much better way than letting this lesser-evil-approach gain ground would be an **incremental inclusion based on incentives to reform, adjust and get closer to EMU**.

One of the possible measures could be a **rearranged exchange rate mechanism** (ERM II), which has so far worked as one of the preconditions to join the euro area. A new design could combine more flexibility in duration of the membership and the margins by +/-15% with stricter obligations to meet EMU-standards and granting incremental access to eurozone measures. This view might be slowly getting the upper hand in the EU. The recent decision on giving non-euro MS access to the so-called eurozone budget on a voluntary basis can be perceived as a step towards turning the ERM II into a more politically oriented tool aiming at fostering the enlargement process. ■

Europe and the hybrid threats conundrum. The case of manipulation of information

Elie Tenenbaum, IFRI | France

Dmitri Teperik, ICDS | Estonia

Europe Onward.

Bridging the EU Council presidencies: from Bucharest to Berlin

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Whether they like it or not, the European Union, and more generally the community of Western liberal democracies, are now compelled to acknowledge the renewed intensity of malign actions undertaken under the threshold of open aggression by a number of state powers (Russia, China, Iran) and non-state actors (terrorists, violent extremists, radical groups), unhappy with the current international order. This phenomenon has been called many names – hybrid threats, gray zone conflict or unrestricted warfare – but all converge to a single idea: it has been especially challenging to face up to these threats as they reside in an ambiguous strategy which aims at blurring the distinction between war-like hostilities and peaceful competition.

Although direct and indirect uses of military power play an important part in hybrid warfare—to shape perceptions, cultivate fear, evoke misguided responses and create facts on the ground—the article limits itself to the analysis of non-military instruments of power deployed in gray zones of conflict. It particularly focuses on how malign actors shape the cognitive domain, erode the resilience of democratic societies and influence their strategic long-term decisions through skilful manipulation of information. Even if it comes to the outbreak of violence and use of military force, the preconditions for conflict as well as its course and outcomes are shaped, often decisively, in this domain. Decisions critical to “hard security”—such as whether to put up resistance to military aggression, assist an ally in trouble or even sufficiently invest into military defense in general—are contingent on what information is available, how it is processed and how it interacts with deep-seated perceptions in various sections of society. Dealing effectively with information manipulation is thus essential to “hard security” as much as it is vital to maintaining “soft security” and the resilience of our societies.

Information manipulation in the hybrid conundrum. At the operational level the “hybrid conundrum” encompasses a wide array of tools that can be used to perform these subversive activities: old-fashioned propaganda boosted by digital social media, wide distribution of false information, political meddling, such as opposition party sponsoring and corruption, cyber-attacks and wide range hacking, economic pressure through aggressive trade and tariff policy as well as industrial espionage, black market and organised crime activities, clandestine actions and active measures that may include political assassination and covert support to paramilitary groups, up to military intimidation through nuclear posturing, troop movement and live exercises.

Among these various operational tools, the manipulation of information holds an especially important place as it directly challenges Western democracies’ liberal traditions, such as the freedom of speech, or government accountability and transparency, hoping to

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turn these strengths into weaknesses. Even though propaganda and disinformation campaigns have always existed—they were especially intense throughout the Cold War era—they have recently been boosted by the new possibilities of the global digital age and especially the development of social media. This phenomenon has made it possible to spread malign information—either false, leaked or politically biased—on a new level in quantity as well as in quality: for the first time in history it became possible to combine world-wide diffusion and highly targeted content.

This strategy resulted in a devastatingly efficient campaign all the more as they converged with another phenomenon, one that democracies had brought on by their own fault: the growing popular discontent and confidence crisis between European citizens and their governments. It is therefore important to acknowledge that efficient manipulations of information campaigns do not usually engineer a crisis on their own, but rather try to worsen and widen an already existing tension. The combination of these two trends has been especially dangerous to both the political project of the European Union and its values; the high degree of strategic naivety makes the EU pay a heavy price now.

Massive manipulation of information campaigns following the above-mentioned methods has been clearly identified in a number of political and social crises: from the 2016 Brexit referendum, or the Dutch Ukraine–European Union Association Agreement referendum, through the 2017 “Macron-leaks” attempting to disqualify the leading candidate in the French presidential elections, and to the Catalan crisis, the 2018 Italian elections and the French “yellow vest” movement. Beyond these intensive campaigns revolving around a punctual event (an election, a social crisis), one also needs to stress on the background noise that has been sustained around the depiction of the Ukrainian and Syrian conflicts, or various political issues throughout the European Union and elsewhere.

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The need for an Innovative whole-of-government and whole-of-Society approach.

All Western societies differ in various aspects of their political, social, economic and cultural fabric, and each possesses a unique set of vulnerabilities. It is therefore difficult to articulate one-size-fits-all generic solutions to the challenge of information manipulation. This is why there is an established consensus both within the EU and NATO that building resilience is a national responsibility. Yet success of information manipulation, as a tool of hostile influence strategies, often hinges on similar factors across all nations and dictates the same general principles of response. In the age of fast political, economic and technological change, national resilience of all EU member states—interconnected societies highly reliant on digital informational and communication technologies, on common binding rules and on mutual trust—exhibits gaps that are tightly linked to the socio-economic and cognitive domains. The very survival of the EU will depend on how the nations address those gaps—individually or, if and when necessary, collectively.

As a common starting point in a values-based union, we must reinforce a solid research-proven understanding that ever-deepening socio-economic inequalities and present vulnerabilities within many EU member states create fruitful ground and convenient operational environment for foreign-led malicious activities and hostile information operations against the EU, its principles and citizens, in virtual as well as physical space. Strategic naivety or outright denial among some political and societal actors that this is really the case—despite the already abundant evidence—is not helpful in developing solutions.

Then, we must focus on building genuinely whole-of-government and whole-of-society approaches to resilience, including in the cognitive domain and in dealing with the challenge of information manipulation. The European security expert community should cultivate further among the decision-makers the principal idea, which declares that the source of national resilience to hybrid threats originates from strong civil society and multidisciplinary horizontal co-operation among various stakeholders on different levels of governance. Moreover, we should recognise that beside EU and national levels, regional and local levels are equally crucial for detecting and counteracting harmful disinformation campaigns. Since systemic approaches and complex, multi-stage programmes are proven ways to achieve tangible results and realistic outcomes in strengthening nations' resilience to hybrid threats, the EU member states should allocate sufficient resources for national (governmental) programmes, civic initiatives and projects, as well as multi-stakeholder cooperation frameworks among and within the countries. In particular, they should focus on:

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- **Developing human capacity for informational resilience:** tailored trainings, study visits, courses and seminars, consultancies, expert forums etc., for larger involvement of motivated representatives from regional and local authorities and civic opinion leaders. Continuous improvement of cyber hygiene and information hygiene should become naturally understandable, an integral part not just of national security, but also of everyday learning activities.
- **Strengthening within the European Centre of Excellence for Countering Hybrid Threats various comprehensive research tools** for identifying present gaps in and emerging threats to information, communications and cybersecurity. This will create a firm basis for better situational awareness among local and regional authorities, opinion leaders, journalists, expert community and civic activists on main challenges to and opportunities in cyber, communications and information security.
- **Providing methodical and evidence-driven exploitation of social media** in order to more effectively counter online disinformation campaigns. This requires strengthening of state and civic capacity for (social) media awareness and monitoring by using affordable methods of predictive analytics, machine learning and big data clustering. More attention should be paid to launching new educational programmes for delivering and attracting more of the respective specialists to problem-solving initiatives against disinformation and other communication-related hybrid threats.
- **Providing hands-on advanced training to various stakeholders** and beneficiaries on practical aspects of information resilience, strategic communication, cyber security and psychological defence. Training groups should be composed through a multidisciplinary approach, which helps to improve and expand horizontal internal communication among authorities, civil society, independent media and expert community. Cross-fertilisation of new ideas and solutions is key for successful practical training activities. The trainers and facilitators from so-called frontier states (like the Baltics, Poland, Ukraine, Georgia) should be invited to and included in the program.
- **Bring in the youth!** Increasing involvement of young people by organising more interactive events at schools and more attractive hackathons at regional universities. Students should be creatively directed to elaborate on and suggest innovative solutions to the actual local and regional problems related to hostile disinformation. Regionally and thematically tailored events have more sustainable impact on the participants. Moreover, the young generation

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holds the power to engender a strategically important and positive shift in attitudes and behaviour within the societies of the EU member states.

- **Raising the cost of manipulation of information:** Revisionist powers who engage in hybrid threats and manipulation of information campaigns are particularly risk-averse – otherwise they would not try so hard to remain under the threshold of open aggression. This can be turned to the EU's advantage. A number of repressive measures can be taken to raise the cost of massive disinformation campaign, such as a ban on certain media or imposing economic sanctions through civil lawsuits (if adapted legislation has been passed). The example of the French law to combat false information is an interesting one, which is worth exploring albeit its current limitations.
- **Bring information technology back on track:** Hybrid threats have been using digital technology and social media for disruptive and subversive purposes. It is up to EU democracies to change this trend and use technology for better purposes. Western mainstream platforms are to be engaged to minimise the negative uses of their online tools: as automation has been used to spread out falsified information and propaganda, automation can also be used to stop it – without adopting repressive measures such as those enforced in authoritarian regimes. Investment in data science and artificial intelligence should be a priority, as well as the development of European digital giants capable of ensuring a European strategic autonomy in the digital realm. ■

Europe 2030. A strategic framework to make populism obsolete

Dani Sandu, EUI | Italy, GlobalFocus Center | Romania

Daniel Stefanov, ECFR | Bulgaria

Europe Onward.

Bridging the EU Council presidencies: from Bucharest to Berlin

challenges

There is an **overall frustration** in the EU. As the latest survey of the European Council on Foreign Relations and YouGov showed, 44% of all Europeans think that the political system does not allow for ordinary people to have an influence on politics. 38% of the whole European electorate believes that both the national and the European political systems are not working. Contrary to the general expectations, this phenomenon is not only typical for Southern or Central Europe. The most disillusioned citizens are actually in France (69%), in Greece (61%) and in Italy (42%). There is also a very strong wave of economic pessimism in Europe. Even in countries like Sweden, the Netherlands and Germany, more than half of the citizens believe that their children will not be better off compared to them.

The go-to reason for general dissatisfaction has been, for some years, the charge of **rising inequality**. Indeed, while inequality between EU member countries has decreased, inequalities within EU member countries have ballooned. Most Central and Eastern European (CEE) countries have seen their S80/S20 (ratio top 20% and bottom 20% in income) inequality increase from 3-4 in the '90s and 2000s to 7-8 in 2017, while their GDP/capita rose from 20-30% of the EU average to almost 60%. In countries such as Italy, the GDP/capita has decreased from 28,700 EUR in 2007 to 26,700 in 2018. Greece faced a similar decrease, while countries such as France only modestly increased their GDP/capita. Still, while the rising financial inequality is indeed dire, these figures mask the depth of the increases in non-financial inequality, especially connected to governance or public services, that are visible throughout the EU, but especially in CEE countries.

Most of these **inequalities are difficult to see in traditional indicators** and are more connected to the framework of the economy rather than the outputs. For example, Western industry has begun to move multiple parts of their supply chain to cheaper, but relatively well-trained CEE countries. In the bid to attract this type of investment, the Visegrad model of development surfaced, where CEE countries would run auctions offering the lowest tax rates for FDI and then other types of benefits, such as targeted infrastructure investments or even reductions of protections for the workers. These reductions have greatly affected the structure of citizen opportunities and the quality of institutions in these countries.

Opposed to the classic transfer union through EU funds, we can also identify **a less visible transfer union at work**, which moves highly qualified people from poor states to rich states through economic migration. These workers "move" their productivity abroad, contributing to the growth of Western countries, and leave their own societies without the liberal, democratizing political representation that could have stopped

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authoritarian leaders from acquiring power. These authoritarian leaders are more than happy to trade potential dissenters in exchange for hefty remittances that end up funding their governments and giving some minimal stimulus spending to create growth. With this dynamic, CEE leaders are bound to keep economic growth relatively steady at the cost of increasing invisible inequality within the country. These increases in inequality also create a general sense of anxiety within the population that is quickly exploited by the same political leaders who connect it with migration—even in countries that have seen little or no migration.

Many **new issues arose in European societies and labour markets**: Companies are increasingly focused on exchanging human labour that is highly paid but routine with technological innovations; surplus of labour, especially low-end, unqualified labour from CEE countries has put pressure on the lower-middle class of Western European countries. Blue-collar workers from France, the UK, Italy or Spain feel squeezed out of the labour market, large cities are becoming larger (and too expensive for locals) and small towns or rural areas are becoming ghost towns. These issues are new, by nature, and can scarcely be addressed with traditional policies that mainstream parties are so attached to. In the vacuum created by anxiety, citizens prefer new solutions because of their novelty, not necessarily their functionality. As a result, anti-establishment political movements have grown at a surprising pace.

At the European level, many challenges such as migration remain unaddressed by moderate political groups. Blocked in the search for a high national approval rating and the European consensus those **political forces fail to offer to the European citizens viable solutions to global crises and everyday difficulties**. Issues such as migration remain untended; or, even worse, for fear of losing political support, mainstream political parties adopt a lighter version of the populist rhetoric, therefore betraying both their core constituencies, who see other problems as more important, and the runaway electorates, who are drawn toward the more radical discourses.

The **concerns of the lower part of the middle class around Europe about the negative effects of globalisation** were automatically placed on the EU's shoulders. New solutions for the economic crisis and the migration threat were offered by the populists, and their scores swelled, even as their policies did little to address the problems. In fact, while populist leaders of CEE and, increasingly, EU15 member states (at least Italy, now), are the main actors talking about the issues of globalisation, they are also the ones least interested in solving them. Any resolution to the issues of globalisation that would leave EU countries as rich and stable as they are will likely entail more integration and coordination, not less. By arguing for less integration and a bright future, the **populists**

challenges

knowingly promise the impossible. Their best way of surviving will probably be to sabotage initiatives likely to solve the problems they depend on for political capital.

To that end, it is expected that the **political allegiance system of the EU will no longer only be between member countries, but also increasingly between ideological families** – with the nation-state Europe populists sternly allied across countries. As long as such allegiances remain politically self-reinforcing, with Lega, PiS, FIDESZ and other such political parties leading governments that have a veto capacity in any high-level EU decision making process, a wide-ranging compromise is not likely.

solutions

Policy Proposals to Take Back Europe. While most of the problems that have worsened in recent years are economic in nature, the solutions we might think of need not all be economic. What has kept Europe united and still touches the hopes and dreams of its core supporters are not only dreams of economic growth, but also dreams of a cultural-social union. Some of the more often discussed solutions are:

A broader alignment of moderate political parties on core issues related to the future of Europe. While traditional policies may not be optimal to solve the new problems we are facing, the values that stood at the core of the European project are still as relevant today as they have always been. A discourse that is more centred on these values and that refutes anti-establishment policy proposals as not being compatible with these values is sure to reconnect citizens, especially as populist parties will start failing. The core factor here is to quell the current anxiety felt by many Europeans and stoked by all populist parties and move forward from the generalised feeling of political siege to one of constructive growth and dialogue.

The traditional political **parties need to find new techniques to absorb new issues, attitudes and solutions.** It is important that they try to reconnect to citizens by actually giving them a voice in the selection of candidates, policies and driving principles. Those techniques could be party referendums or voting, open primaries, a solid caucus system, etc.

It is even more important to **let citizens pick the best candidates in the party lists.** We should think of new electoral systems that give citizens more choice within the party lists. One such option is using open lists within the Proportional system. The traditional political parties need to reinvigorate how they are seen by the public, not merely project themselves as the dull guardians of long-standing political order. More than a temporary alternative to populist political parties, they need to find new ways to explain society, project values in the future and attract allegiance from a wider voting pool. Waiting for populists and extremists to slip up, as it happened with Mr. Strache's corruption scandal in Austria, will not automatically bring voters back to mainstream parties. EU citizens are often desensitised to a discourse about European values and liberal democracies because oftentimes these have become mere words that old and dusty political elites use to preserve their privileges. New leaders and political parties with renewed internal structures and ideas can rekindle the fight for European values. The status quo can only hope that populist parties in government slip up, so they can become the alternative.

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An open discussion and reform of the European Stability and Growth Pact that is currently imposing limitations of 3% GDP deficit and 60% GDP debt. While fiscal limitations are essential for the functioning of the Eurozone, the current limitations are arbitrary—as economists repeatedly argued—and rarely respected by the larger economies. These limitations are placing a fiscal straitjacket that usually only the mainstream political parties respect and that offers challenger parties the opportunity to criticise “eurocrats” in campaigns. When these parties are elected, they oftentimes disrespect the fiscal rules and deepen their popularity through stimulus spending that mainstream parties never had access to. This limitation is especially dangerous for countries with slow or negative growth in the Eurozone, which require more spending to boost the economy.

Another important fiscal administration problem that has been long discussed is how important member states break fiscal rules with no consequence, while smaller member states are almost blackmailed to toe the line, thus deepening the **perception of unequal treatment**. While France has run a deficit above 3% for many years, with little reprieve, Germany has been many times criticised for its trade surplus by the European Commission. Yet smaller countries are not shielded in any way when they break arbitrary rules and are punished by the markets. A solution to this issue would be to **increase the sanctioning power of the European Commission**.

Social investment spending has been repeatedly argued to be the key to increasing human capital convergence throughout the European Union. While the European Commission has launched the Social Investment Package in 2013, little of its policies were implemented. An immediate solution to this issue would be the creation of an EU-wide agency that can validate social investment spending at the national level, by evaluating the return of investment in all of these expenses and granting fiscal exemptions from the 3% deficit target, so as to encourage less developed states to invest in their population.

More Erasmus-like projects that are conducive to creating broader EU-wide circulation of youth and workers with at least partial EU funding. Reports on the achievements of the Erasmus project point not only to its costs, but also to its fascinating efficacy in building a stronger EU identity among participants. This capacity has likely surpassed any other project that the EU has envisioned to construct a European identity. Projects of this sort need to be devised and be scaled up, to include more youth and expose them to the opportunities presented by the EU. Without them, the main public of these opportunities will continue to be the most affluent EU citizens, whose support for the EU is necessary, but not sufficient.

solutions

The 10-year strategies of the EU, most recently Europe2020, have been extremely ambitious, but the results have been mixed. While Western European countries reach most of their targets, CEE countries have mostly cherry-picked objectives, focusing on the fiscal and economic ones, while ignoring the social objectives. Part of the reason for this failure is the fact that these targets are associated with EU funding, but EU funding periods are 7 years in length, while the strategy is 10 years in length, thus introducing lack of coordination and capacity to plan to the already existing problems of capacity and political will. The **next 10-year strategy needs to be both coordinated with the funding period and to include clearer benchmarks for success**, potentially including even political stop-gap instruments by which the European Commission can sanction the obvious cherry-picking of objectives by member states. This can also include the consolidation of some social spending objectives and funding at a regional or EU-wide level, thus sharing responsibilities with the member states. ■