# Re-energising Europe

## A package deal for the EU27

**THIRD REPORT** – November 2017

## COLOPHON

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# Foreword

The New Pact for Europe (NPE) is a remarkable synthesis of European thinking with an underlying message and balanced proposals. We should be very grateful to the European foundations who initiated and funded this project; the partner organisations who organised transnational and national debates; the members of the European and national reflection groups; the Advisory Group that I have had the honour to chair; and Janis A. Emmanouilidis and his colleagues who masterminded this bottom-up process and wrote this report. A European agreement in 2018 and a Franco-German initiative will not be far away from the proposals of this paper. They now know what to do!

The poly-crisis often had external roots such as the banking crisis coming from across the pond or the refugee crisis with people crossing the Mediterranean. But the main symptom of today's troubles is internal: the destabilisation of our societies and democracies putting the core values of the European Union (EU) at stake. An election campaign in Europe (or in the US) is often a 'clash of civilisations', not between Europeans and those coming from outside, but among ourselves on how to build our own world. In that debate, intellectuals and think tanks cannot be neutral. In times of crisis technocracy is almost treason.

Populists lost battles in 2017, but they have not yet lost the war. The big danger is that some mainstream 'pro-European' parties are using populist language about identity and migration, deepening the divide in our societies and poisoning hearts and minds with aggressiveness and violence. It is ironic that the populist movements themselves are finally reluctantly accepting the unavoidable reality of the EU and the euro.

After Brexit and the recent events in Catalonia, people see the (potential) damage of leaving the European framework. Populists want to be popular! There is some convergence between different kinds of populism. But the future lies elsewhere. This convergence will only lead to stagnation and, finally, to the collapse of the EU, because they will never agree to give the Union the tools to face the root causes of our problems and the key solutions: prosperity, security and fairness. The nation state is unable to provide solutions to the challenges of a globalised world. It is an illusion and a lie. No 'failure' of Europe will ever give credit to 'stand-alone' approaches.

Tackling these challenges requires a sense of compromise. This report describes the building blocks of such an understanding and the concrete stepping stones ahead. We need to balance responsibility and solidarity, security and solidarity, national sovereignty and integration, growth and cohesion. We always need both blades of the scissors.

**Herman Van Rompuy**

Chair of the Advisory Group,
New Pact for Europe

President of the European Policy Centre
President Emeritus of the European Council
Former Prime Minister of Belgium

We will fail to find an agreement between North and South on future EMU reforms, and between West and East on the migration challenge, if we cannot combine solidarity with security and responsibility. Tensions are surmountable on one condition: we need the political will and leadership to overcome them. Then we will obtain the win-win solutions, so fundamental in this report.

Of course, 'the devil is in the detail'. But behind each detail one will find the values required for a solution. Once agreed, the compromises must be implemented as soon as possible. It's a matter of credibility. We have to break the stagnation of the past four years.

Are we ready to face a future financial crisis although we know that it will come? No. Are we ready to face the current 'Libyan' crisis or other future African crises? No. Are we aware that economic growth is no longer enough to foster social cohesion? No. Are we aware that the current growth rate of 2% is not enough to make our social systems sustainable? No. Are we drawing the right lessons from the social implosion in the US? No. On all those fronts, we know what to do. Numerous reports, among them official documents from European institutions, are at our disposal. What we lack is leadership and the right balance between conflicting interests and sensitivities. This NPE report shows the way out.

We are informed about the impossibilities, about the constraints, about societal support or the lack of it. Some are blaming France and Germany for reclaiming their role as Europe's engine – but at least, they will try to move things forward. Others merely have vetoes or sterile suspicion. 'Plus est en nous'. We can do more. We can do better.

The Leaders' Agenda approved by the European Council is very ambitious. The leaders will take decisions chapter by chapter. The inconvenience of this approach is that one can lose sight of the bigger picture and of the possible transversal links and compromises. Let us not forget that we must convince Europeans of the added value, of the value and the values of the Union. Therefore, a broader perspective and a 'philosophy' are needed.

Defeating populism is not an aim in itself. It is the result of positive action to protect better our citizens against threats whilst keeping our democracies, our economies, our societies open. The defeat of populism is a 'collateral benefit' of that action.

Let us transform fear into hope.

# Preface

The past decade of turmoil has rocked the European Union (EU) to its foundations. This has undermined public confidence in the European project and exposed deep divisions over both the causes of the recent crises and the solutions needed to overcome them.

Five years of discussion in more than 120 national and transnational debates on the future of the EU organised under the auspices of the New Pact for Europe project have underlined the extent of those divides. They are fuelled by a lack of understanding among member states of each other's preoccupations, concerns and interests, which has made finding solutions to seemingly intractable problems a much more difficult (and sometimes insurmountable) task.

As the EU emerges from this decade of crisis, it is clear that an open and frank debate within and between member states – on the issues that concern them most and spark the deepest divisions – is essential. It enables the development of responses that reflect the interests of all EU countries. It can also help to restore a sense among the elite and the public that belonging to the Union is still good for them and their countries – and is equally beneficial for all member states.

That is what the NPE project has been all about: providing a platform for and fostering such debates, and exploring how the major challenges facing Europe are interconnected. It can also help to deliver solutions that will demonstrate that EU membership is still a win-win for everyone – not for the sake of the EU project itself, but for the sake of the citizens whom it exists to serve.

That process has led to the current report, which reflects the differences of perception, experience and current concerns to elaborate the key elements of an ambitious but realistic package deal. This comprehensive bargain - which covers the economic and social, migration, and security fields - could provide a basis to re-energise and galvanise support for the EU.

This is not yet another long wish list of what could and should be done; nor does it seek to present radically new ideas for action. Indeed, many of the proposals this report contains have already been floated or even formally discussed.

# Shaping a bottom-up compromise

It is the approach that it takes to identifying what needs to be done that is radically different: the starting point for elaborating the deal outlined here was discussions in national and transnational meetings aimed at identifying the key interests and issues of greatest concern in each member state, seeing where they overlap and where they diverge significantly, and considering how a cross-dimensional approach could deliver a package deal in which everyone gets something and no one has to give too much away.

# New Pact for Europe

The New Pact for Europe (NPE) initiative – launched in 2013 and steered by the King Baudouin Foundation, Bertelsmann Stiftung, Open Society Initiative for Europe and the European Policy Centre, supported by Calouste Gulbenkian Foundation, Open Estonia Foundation, the BMW Foundation and the Network of European Foundations – aims to rebuild trust through national and transnational dialogue and develop new common ground on the way forward for the European Union.

In its latest phase between 2016-17, the NPE initiative drew on diverse opinions across Europe to analyse the 'state of the Union' and formulate recommendations for the future. In over 45 national and transnational conversations, the project's participants debated key policy challenges (migration, internal and external security, and economic and social issues) to explore what could be done to make the EU better serve the diverse interests of its member states and citizens.

National Reflection Groups in ten EU countries – Belgium, Estonia, Finland, France, Germany, Greece, Italy, Poland, Portugal, and Slovakia – kicked off these dialogues, followed by transnational exchanges between these national groups. The discussions revealed the scarcity of open and honest debates between Europeans, in which everyone can listen to each other as well as articulate their own frustrations, hopes and fears. It became clear during the process that trust between Europeans has been damaged and needs to be rebuilt, but also that we have much more in common than we often think and that the divisions we sometimes perceive as unbridgeable are not so deep.

The national and transnational discussions provided the basis for a deliberative body called the European Reflection Group, made up of representatives of the National Reflection Groups, and an Advisory Group chaired by Herman Van Rompuy, to draw out the key elements of a wider package deal aiming to bridge the divisions between member states.

This is the third major NPE report. It is the culmination of five years of work at EU and member state level. It reflects more than 120 national and transnational debates with policymakers, experts, civil society organisations, 'ordinary' citizens, and other stakeholders across Europe, which took place between 2013-2017 in 17 EU countries.

For more information on the NPE project, please visit **newpactforeurope.eu**

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# Executive summary

After years of multiple crises, the EU27 should **re-energise the European project**. This third NPE report, which is the culmination of five years of work reflecting more than 120 national and transnational debates throughout Europe, argues that the EU27 should have the political will and courage to agree on an **ambitious but realistic win-win package deal** to overcome deadlocks and counter the danger of a more regressive, nationalistic, closed, illiberal and authoritarian Europe, the greatest challenge we are currently facing.

*The Union has succeeded in proving the many prophets of doom wrong, confounding predictions of its imminent collapse, the euro's implosion, 'Grexit', or the end of Schengen.*

*There remains frustration with the EU's inability to tackle the poly-crisis.*

*There is now a new sense of optimism about the Union's future.*

## STATE OF THE UNION

To move forward, we must recognise where we stand now. Three characteristics of today's European Union (EU) will shape its future development:

► The **poly-crisis** of the past decade has not been fully overcome. The Union has succeeded in proving the many prophets of doom wrong, confounding predictions of its imminent collapse, the euro's implosion, 'Grexit', or the end of Schengen. But despite some undeniable progress, structural deficits in the European construction remain. The Union has been remarkably resilient but it is **not yet 'storm-proof'**.

► After years of pain, the EU27 must also repair the **collateral damage** caused by the poly-crisis: the fragmentation and distrust among member states, and between national capitals and 'Brussels'; the perception that European cooperation is no longer a win-win exercise from which all EU countries and citizens benefit; the widespread belief that the Union is unable to balance national interests fairly, with smaller countries feeling that the 'rules of the game' are not the same for everyone; a widening divergence in real (economic gap) and thinking terms (differences in how people see the situation); the rising social inequalities and political divides within countries; the frustration with the EU's inability to tackle the poly-crisis; and the damage to the EU's external reputation, with many outside Europe questioning whether it can emerge stronger from the trials of the past decade.

► On a more positive note, there is now a new sense of optimism about the Union's future. The **unifying effect** of Brexit and Donald Trump's election; the return to economic growth; the upswing in citizens' confidence in the European project; and the fact that 2017 was not the political *annus horribilis* that many feared it would be, have all fuelled hopes that the European project could be given **new momentum** after years of crises.

But while optimism is **cautiously** returning to the European scene, it is far too early to celebrate. The discussions in the NPE framework underline concerns that the EU27 might not, at the end of the day, take advantage of the renewed confidence.

The Union must not only tackle the unresolved poly-crisis and collateral damage, but also face a much more fundamental threat: a **surge in authoritarian populism** that is testing the basic foundations of liberal democracies. The influence of those advocating simplistic solutions to complex problems is expanding, with their political rhetoric and ideology framing or even dominating public discourse. Europe is at risk of becoming more introverted, backward-looking, protectionist, intolerant, xenophobic, and discriminatory as well as more inclined to oppose globalisation, trade, migration, heterogeneity, cultural diversity, and the principles of an open society. Albeit not confined to Europe, this threat is **more fundamental** for the EU given that the Union is still much **more vulnerable** than its constituent nation states.

## POLITICAL LEADERSHIP

Based on this analysis of the state of the Union, this report argues that the EU27 must exploit the current window of opportunity, which is **neither very wide** nor expected to remain **open for very long**. If the EU27 can show political leadership, there is potential for an 'EU renaissance'. Through concrete deeds, the EU could demonstrate its **ability to protect** its members and citizens.

Europe does not need to be re-invented, but it must be re-energised and made 'future proof'. European cooperation is **not an ideology**: it is **a necessity** in an interdependent world in which individual countries cannot defend their values, interests and aspirations alone. The EU must act collectively to bolster its defences and withstand future storms. If the EU27 fail to exploit the window of opportunity, Eurosceptic forces will cheer and attract even more support among a growing number of disillusioned citizens.

So, what should be done? This report makes **two main recommendations**: the EU and its members should agree on an ambitious but realistic **win-win package deal**; and they must **fight the danger** of a more regressive, nationalistic, closed, illiberal, and authoritarian Europe by addressing the fundamental factors fuelling the persistent threat of authoritarian populism at European, national, regional and local level.

*The Union must not only tackle the unresolved poly-crisis and collateral damage, but also face a much more fundamental threat: a surge in authoritarian populism that is testing the basic foundations of liberal democracies.*

## WIN-WIN PACKAGE DEAL

The proposed package deal does not pretend to be a 'grand bargain' aspiring to solve all problems in one go with one giant qualitative leap forward. It is less 'grand' in its objective, concentrating instead on the immediate future and aspiring to achieve **tangible progress** in the framework of the current **EU Treaties**.

This package deal aims to reflect the distinctive interests and aspirations of member states and citizens. Some are more anxious about economic prospects or social affairs, others put more emphasis on migration and security. There is thus a need to include all **three dimensions** in a package deal, with intra- and cross-dimensional compromises. This approach will help to bridge the gap between different camps. **Enlarging the negotiation agenda** beyond one specific field to identify wider agreements can contribute to overcoming red lines in individual areas, which have in the past proved unsurmountable.

While acknowledging that political hurdles persist and that the actual outcome of negotiations among the EU27 is difficult to anticipate, the **ambitions** of this report are three-fold.

► First, it demonstrates that sketching a win-win **package deal is possible**. For each dimension, the report provides a rationale, basic objectives and concrete elements to be included in a bargain.

► Second, it hopes that by explicitly laying out such proposals, it can spark national and **transnational political debates** about the future of Europe, which is a central aspiration of the NPE project.

► Third, a deal that takes the various positions between and within EU countries into account can help to **counter** the current **fragmentation** among member states and the escalating **polarisation** of our societies, which is the fertile ground on which extremist and authoritarian populists thrive.

With respect to the **economic and social dimension**, the package deal is designed to secure the stability of the euro, spur sustainable growth and reboot the process of economic convergence, while strengthening the Union's 'protective arm' and preserving unity among the EU27 and the members of the euro area. It seeks to balance the expectations of different camps: the '**responsibility and competitiveness**' camp who want a stricter implementation of rules, re-affirmation of the 'no bail-out' principle, a reduction of risks, more market discipline, and greater pressure on EU countries to implement long-overdue structural reforms; and the '**solidarity and caring**' camp who want more flexible and smarter rules with greater discretion, the direct or indirect introduction of common

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*The package deal aims to move the EU closer to a comprehensive human mobility strategy. It seeks to balance security and solidarity concerns to enhance the notion of a 'protective Europe' while avoiding the pitfalls of a 'fortress Europe'.*

*Deeper internal and external security cooperation could help to coalesce an overall accord between the EU27.*

risk-sharing instruments, more support from the European level for national reform efforts, more fiscal room for public investment, and actions to reduce macroeconomic imbalances. It also considers the mounting **concerns of non-euro countries** that further EMU reforms might leave them at a disadvantage and push them further into the EU's periphery (see infographic pages XVI-XVII).

With respect to **migration**, the package deal aims to move the EU closer to a comprehensive human mobility strategy. It seeks to balance security and solidarity concerns to enhance the notion of a '**protective Europe**' while avoiding the pitfalls of a 'fortress Europe'. To achieve this aim, the bargain identifies tangible actions to bridge the divide between two camps: the '**security**' camp who argue that Europe must counter the sense of insecurity among its citizens and protect itself from potentially overwhelming numbers of people trying to reach it; and the '**solidarity**' camp who insist on the need to boost solidarity among EU countries and with those knocking on Europe's doors and with countries of origin and transit (see infographic pages XVI-XVII).

With respect to **security**, this report argues that the widespread support for deeper internal and external security cooperation could **help to coalesce an overall accord** between the EU27. The NPE discussions revealed distinct priorities and divides between countries, but there was also strong agreement across Europe that member states need to deepen cooperation on both internal and external security. Progress on security could foster conciliations in the economic and social as well as the migration dimension, where member states have drawn some clear red lines. Within the security dimension, there are two priority areas that enjoy the strongest support among the EU27: **defence cooperation** and the **fight against terrorism** (see infographic pages XVI-XVII).

As in the past, implementation of the deal presented in this report would result in more **differentiated integration**, with different groups of member states intensifying cooperation in different policy fields. Fuelled by the willingness to move forward, greater differentiation would be guided by functional and pragmatic needs, and not by a desire to create a closed 'core Europe' (*Kerneuropa*) involving only a limited number of EU countries. The creation of a two-tier Europe with diverse classes of membership is neither likely nor desirable.

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## COUNTERING AUTHORITARIAN POPULISM

The elaboration and implementation of a compromise among the EU27 is necessary, but it is only one step. The analysis in this report confirms that the **danger of a more regressive, nationalistic, closed, illiberal, and authoritarian Europe** is very profound. The response needs to encompass a variety of efforts at various levels of governance. Since there is no silver bullet that can avert this danger, the report presents **four principles** that should be borne in mind when looking for ways to counter authoritarian populism.

► The European Union must deliver **credible results** and strengthen its role as a '**democratic watchdog**', by concretely addressing the multiple insecurities fuelling authoritarian populism; avoiding raising expectations it cannot live up to; ending the Brussels blame game which plays into the populists' hands; demonstrating that the EU

is not an agent of 'unfettered' globalisation; and strengthening its ability to respond to serious breaches of its fundamental principles when governments flout their membership obligations.

► Politicians must **convince citizens without imitating** authoritarian populists, by presenting a persuasive and positive counter-narrative based on a credible set of actions at the national and European level instead of copying the political rhetoric and policy prescriptions of authoritarian populists; demonstrating to citizens why European cooperation is still a win-win from a national perspective; and promoting the ability of citizens to 'experience Europe'.

► Defenders of liberal democracy must acknowledge **citizens' legitimate concerns** and boost their **democratic participation**, taking their hopes and fears seriously

rather than dismissing them as irrational, exaggerated or even irrelevant; listening to those from other EU countries as well, given our increasing interdependence; and boosting citizens' involvement in EU decision-making.

► People should be constantly reminded of the **true nature and objectives of authoritarian populists** by revealing that they want to divide our societies and undermine the basic pillars of liberal democracy; and by demonstrating that most of their proposals are either unrealistic or economically ludicrous.

## THE WAY FORWARD

The elaboration and subsequent implementation of an EU27 package deal will require a strong impetus from an **inclusive Franco-German initiative**. To win broad support, however, this initiative must consider the views of **other member states** and leave them ample room to contribute to the outcome of a collective process. The bargain presented in this report could help to inspire and promote such an inclusive process since it has been explicitly drafted with the interests, concerns and ambitions of the EU27 in mind.

Generating public support for the implementation of a package deal will require a Europe-wide debate at **national and transnational level**. It must begin as soon as possible and involve a multiplicity of stakeholders ready to engage in a critical but constructive debate about Europe's future. The experience of the NPE project has shown that such discussions are most constructive when they are based on tangible proposals rather than on a vague exchange of views about 'more or less' Europe.

It is by no means certain that the EU27 will be able to strike a compromise. It will take **strong political will** and even more political **courage**. But this is what **leadership** is ultimately about: understanding the need for action, identifying opportunities, pre-empting potential risks, and taking concrete next steps while having a sense of the overall direction. Now is the time for all Europeans to show such leadership.

This report has demonstrated that there is a lot of work to be done and unfinished business to be completed, that there is a window of opportunity, that inaction would risk future crises, and that a win-win bargain to re-energise the EU and strengthen its ability to protect its members and citizens from future storms is possible. It is now up to all of us to respond to this call and for **future generations** of Europeans to judge us.



*Presenting the first NPE report at the 40 under 40 Young European Leaders Conference, February 2014.*

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# Re-energising Europe / A package deal for the EU27

## RESILIENCE AND A NEW MOMENTUM

*The EU27 must exploit the current window of opportunity, which is neither very wide nor expected to remain open for very long.*

Unifying effect of Brexit

## THE BIGGEST CHALLENGE

*The danger of a more regressive, nationalistic, closed, illiberal, and authoritarian Europe is very profound.*

### NATURE OF THE BEAST

- Growing polarisation of societies
- People's genuine grievances
- Anti-establishment resentments
- Discontent with representative democracy
- New information channels in closed echo-chambers

### "WINNERS & LOSERS" OF CHANGE

- Socio-economic insecurities and rising inequalities
- Cultural and societal insecurities
- Generational insecurities
- Technological insecurities
- Security insecurities

### EUrope's PERCEIVED VULNERABILITIES

- The EU as an 'agent of unfettered globalisation'
- The EU as a powerless and 'inconsequential' construction
- The EU as an undemocratic, distant, and 'elitist' project
- The EU is losing its moral high ground

## THE ECONOMIC AND SOCIAL DIMENSION

*The bargain needs to strike a fair balance between the 'responsibility and competitiveness' camp and the 'solidarity and caring' camp while preserving the principle of unity among the EU27 and the members of the euro area.*

### MORE SOLIDARITY BETWEEN THE MEMBER STATES

- Complete the Banking Union through the gradual introduction of a European Deposit Insurance Scheme
- Reduce the burden of non-performing loans on banks
- Enable the European Stability Mechanism to function as a credible backstop to the Single Resolution Fund
- Establish a crisis shock-absorption mechanism through complementary European Unemployment Reinsurance Scheme and/or 'rainy day' fund
- Exclude some public investment from a country's deficit calculation
- Stimulate investment and demand in EU countries with excessive surpluses
- Support citizens disproportionately affected by major structural reforms
- Intensify the fight against tax evasion and avoidance
- Safeguard the level-playing field within the Single Market
- Introduce concrete measures to implement the European Pillar of Social Rights

### FEWER RISKS AND MORE DISCIPLINE ACROSS THE UNION

- Speed up the Capital Markets Union
- Enforce the no-bailout rule through the introduction of a credible debt restructuring mechanism
- Reduce regulatory uncertainties and hurdles undermining cross-border investment
- Enforce the Fiscal Compact and the Stability and Growth Pact rules and obligations
- Establish contractual Reform and Investment Agreements
- Reinforce the links between national reforms and EU funding
- Scale up technical assistance programmes
- Complete the Single Market to enhance Europe's global competitiveness
- Speed up work on more comprehensive free trade agreements

### UNITY BETWEEN EURO & NON-EURO AREAS

- Avoid any kind of discrimination based on the euro
- Open the new forms of cooperation among euro-area members to non-euro countries
- Do not undermine the role of existing supranational institutions by creating parallel structures
- Inform countries outside the euro area about major euro-area developments
- Do not create barriers to future membership of the euro area
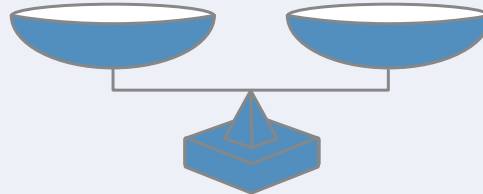
## COLLATERAL DAMAGE

- Widespread frustration with the EU's inability to tackle the poly-crisis
- Rising social inequalities and political divides within member states
- Widening divergence in real (economic gap) and thinking terms (differences in how people see the situation)

## AN UNRESOLVED POLY-CRISIS

*The poly-crisis of the past decade has not been fully overcome. The Union has been remarkably resilient but it is not yet 'storm-proof'. After years of pain, the EU27 must also repair the collateral damage caused by the poly-crisis.*

*After years of multiple crises, the EU27 should re-energise the European project. The EU27 should have the political will and courage to agree on an ambitious but realistic win-win package deal to overcome deadlocks and counter the danger of a more regressive, nationalistic, closed, illiberal and authoritarian Europe, the greatest challenge we are currently facing.*

Unifying effect of the election of Donald Trump

Return to economic growth

2017: not the political 'annus horribilis' that many feared it would be

# THE MIGRATION DIMENSION

*The bargain needs to reflect security and solidarity concerns to enhance the notion of a protective Europe while avoiding the pitfalls of a 'fortress' Europe.*

## MEASURES TO COUNTER INSECURITY

- Increase and accelerate returns
- Speed up national asylum procedures
- Establish asylum processing centres in major transit countries to reduce irregular flows

## SOLIDARITY BETWEEN MEMBER STATES

- Create a permanent relocation mechanism
- Make asylum recognition rates converge across member states
- Incentivise municipalities to welcome refugees or asylum-seekers
- Establish asylum-seeker reception centres in Central and Eastern European countries
- Create an asylum-seeker 'exchange mechanism'
- Better inform refugees about welcome conditions in EU member states

## SOLIDARITY WITH COUNTRIES OF ORIGIN & TRANSIT

- Boost (financial) support to Africa
- Establish a permanent European resettlement framework
- Create legal avenues of (economic) migration
- Increase financial support to improve the conditions for migrants in Libya
- Reform EU policies that negatively impact countries of origin and transit

# THE SECURITY DIMENSION

*External and internal security cooperation could help to coalesce an overall bargain between the EU27.*

## DEFENCE COOPERATION

- Establish an ambitious and inclusive PESCO
- Support defence cooperation with adequate financial instruments
- Coordinate the review of national defence planning
- Reinforce the rapid response capacity
- Strengthen the military operation planning capacity
- Revise the rules on the common funding of EU military operations

## FIGHT AGAINST TERRORISM

- Foster a culture of cross-border cooperation between national intelligence agencies and law enforcement authorities
- Boost efforts to prevent and counter radicalisation within Europe
- Tackle the implications of the blurring boundaries between internal security and external defence

# COUNTERING AUTHORITARIAN POPULISM

*To counter authoritarian populism, four principles must be borne in mind:*

## DELIVER CREDIBLE RESULTS AND STRENGTHEN THE EU AS A 'DEMOCRATIC WATCHDOG'

- Address the multiple insecurities fuelling authoritarian populism
- Avoid raising expectations the Union cannot live up to
- End the Brussels blame game that plays into the hands of the populists
- Demonstrate that the EU is not an 'agent of unfettered globalisation'
- Enhance the EU's ability to act as a 'democratic watchdog'

## CONVINCE CITIZENS WITHOUT IMITATING AUTHORITARIAN POPULISTS

- Do not copy the political rhetoric and prescriptions of authoritarian populists
- Present a persuasive and positive counter-narrative
- Demonstrate why European cooperation is a 'win-win' from a national perspective
- Promote the ability of citizens to 'experience Europe'

## ACKNOWLEDGE CITIZENS' CONCERNS AND BOOST THEIR DEMOCRATIC PARTICIPATION

- Take citizens' hopes and fears seriously rather than dismissing them as irrational, exaggerated or even irrelevant
- Listen also to the concerns of people from other EU countries
- Boost citizens' involvement in EU decision-making

## REMIND PEOPLE OF THE TRUE NATURE AND OBJECTIVES OF AUTHORITARIAN POPULISTS

- Authoritarian populists seek to divide and polarise our societies
- Authoritarian populists seek to undermine the basic pillars of liberal democracies
- Proposals made by authoritarian populists are either unrealistic or economically ludicrous

- Fragmentation and distrust among member states
- Inability to fairly balance national interests: a 'crisis of leadership'

- Damage to the EU's external reputation
- European cooperation no longer a win-win exercise

- The external and internal security threats
- The migration and refugee crisis
- The financial, economic and euro area crisis

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# Introduction

This report reflects more than 120 national and transnational debates on the state and future of the European Union (EU), which have taken place in a majority of EU countries since 2013 under the auspices of the New Pact for Europe (NPE) project.

## LESSONS FROM THE PROJECT

*There is an urgent need to restore trust among the EU27 and regain the support of citizens and elites.*

*As in the past, when progress towards the Single Market or the euro was only possible by compensating those who would profit less from them, the EU27 must once again strike a bargain that benefits all member states.*

*Europe must not be re-invented, but it needs to be re-energised.*

The different phases of this project have shown that:

► There are serious doubts in many quarters that European cooperation is still a **positive-sum game** from which all EU countries can profit.

► Policymakers, academics, EU experts, and 'ordinary' citizens in one country often have **little understanding** of the situation in other member states: we talk more *about* each other but not enough *with* each other.

► The biggest EU countries often hesitate to assume leadership, even when asked to do so, while smaller member states feel that the 'rules of the game' are not the same for everyone – that some EU countries are **more equal than others**.

► Europe's crisis is in many ways the result of **national crises** with negative repercussions for European cooperation.

► Policymakers and experts tend to set the strongest **red lines** in their area of expertise, while those who are less familiar with certain dossiers seem more inclined to overcome divides and strike compromises.

► There are many differences but also many **common perceptions** within and between EU countries over the future of European integration.

The NPE debates have also underlined:

► How difficult it is for people to **listen to each other** – and how significant this is – in an interdependent European environment;

► How important but also how hard it is to **reach out** to people who are critical of, or do not care about, the European project;

► How tough it is to conduct a frank **transnational debate**, even though people

appear willing to be more self-critical about their own country's role in the EU crises.

A major lesson from all these experiences is that there is an urgent need to restore trust among the EU27 and regain the support of citizens and elites. To do this, Europe must create a new win-win situation reflecting the **distinctive interests and concerns** of governments and citizens. As in the past, when progress towards the Single Market or the euro was only possible by compensating those who would profit less from them, the EU27 must once again strike a bargain that benefits all member states.

This report tries to elaborate a new bargain. It argues that after many years of crisis, the EU should exploit the **window of opportunity** created by an apparent turn in the tide after Brexit and the election of Donald Trump in the US, with economic growth coming back to Europe, and a series of defeats for populist parties fuelling **hopes** that the European project might be re-energised after years of crises.

The President of the European Commission, Jean-Claude Juncker, the French President, Emmanuel Macron, and the President of the European Council, Donald Tusk, have all laid out proposals calling for a new era. During his 2017 State of the Union address before the European Parliament, President **Juncker** said that he wanted to catch the "*wind in the sails*" that the European project currently enjoys, to fix Europe's roof "*now that the sun is shining*." In his speech at La Sorbonne, President **Macron** outlined a vision on how to rebuild the European house calling for "*sovereign, more united and democratic Europe*." At the October 2017 EU Summit, President **Tusk** presented a 'Leaders' Agenda' setting out a blueprint for 2017-2019 aiming to "*cut the Gordian knot on the most sensitive issues*."

## WIN-WIN PACKAGE DEAL

The EU27 still have to prove that they can seize the opportunity and provide a new sense of direction for the years to come. A new package deal could do just that. It must cover what citizens see as the most pressing problems. It must be both **pragmatic** and **ambitious**.

Given disagreements among member states, this report does not propose a quantum leap in integration. But the bargain outlined here could help to **overcome the stalemate** and move the EU forward.

If the EU27 can show **political leadership**, there is some potential for an 'EU renaissance'. If they can create momentum by agreeing on tangible actions, they could prove how responsive they are to their citizens' needs, desires, and concerns. Through concrete deeds, the EU could demonstrate its **ability to protect** its members and citizens from potential future storms.

Europe must not be re-invented, but it needs to be re-energised. Bolstering the defences of a 'protective Europe' will help the EU to regain trust and support. European cooperation is **not an ideology**: it is **a necessity** in an interdependent world in which individual member states cannot defend their values, interests and aspirations. The EU must act collectively

to strengthen its defences and withstand future storms. If the EU27 fail to exploit this window of opportunity, Eurosceptic forces will cheer and attract even more support among a growing number of disillusioned citizens.

So, what should be done? This report makes **two recommendations** to re-energise European integration and to make it 'future-proof'. The EU and its members should agree on an ambitious but realistic **win-win package deal**; and they must fight the danger of a more regressive, nationalistic, closed, illiberal, and authoritarian Europe by addressing the fundamental factors fuelling the **persistent threat of authoritarian populism** at European, national, regional and local level.

But efforts at European level will not be enough. Crucial competences remain in the hands of member states and nation states are at the centre of political discourse. Consequently, much needs to be done by liberal democratic forces **in the member states** to counter authoritarian populists. This report does not pretend that there is one silver bullet that could avert this danger. It suggests concrete ways to confront the persistent peril coming from political forces trying to undermine the Union's basic values and principles.

*European cooperation is not an ideology: it is a necessity in an interdependent world.*

*If the EU27 can show political leadership, there is some potential for an 'EU renaissance'.*

*Bolstering the defences of a 'protective Europe' will help the EU to regain trust and support.*

*This report makes two main recommendations to re-energise European integration and to make it 'future-proof'.*

## TOUGH QUESTIONS

In formulating the main components of a package deal, the NPE debates sought to answer **several questions**:

► What are the major characteristics of today's European Union? To what degree have the EU and member states overcome the so-called **poly-crisis**? What kind of **collateral damage** has been caused by the multiple storms that have hit the EU and its members since 2008?

► Why has the Union been so remarkably resilient in the face of disintegration forces? Why is there now a new sense of optimism in Brussels and other capitals about the EU's prospects? Will the EU27 seize the current window of opportunity to agree on a win-win package deal? What could happen if they lack the necessary **will and courage** to embrace further reforms?

► What is the biggest danger currently facing our societies? Why have we not outstripped **authoritarian populists** and what is the menace they constitute about? What are the forces playing into their hands? What could be done to counter the danger of a more regressive, nationalistic, closed, illiberal, and authoritarian Europe?

This report analyses the current state of the Union (1.1) and probes the illiberal peril facing the EU and its members (1.2). On this basis, it elaborates a new win-win package deal between the EU27 (2.1) and outlines basic principles to counter the persistent threat from authoritarian populism (2.2). It concludes with an outlook on the upcoming debate on the future of Europe.

# Diagnosis

# STATE OF THE UNION: THREE MAIN CHARACTERISTICS

## AN UNRESOLVED POLY-CRISIS

The financial, economic and euro area crisis

The migration and refugee crisis

The external and internal security threats

## RESILIENCE AND A NEW MOMENTUM

Unifying effect of Brexit

Unifying effect of Donald Trump's election

Return to economic growth

2017: not the political 'annus horribilis' that many feared it would be

## COLLATERAL DAMAGE CAUSED BY THE POLY-CRISIS

Fragmentation and distrust among member states

European cooperation no longer a win-win exercise

Widening divergence in real (economic gap) and thinking terms (differences in how people see the situation)

Rising social inequalities and political divides within member states

Inability to fairly balance national interests: a 'crisis of leadership'

Widespread frustration with the EU's inability to tackle the poly-crisis

Damage to the EU's external reputation

# THE BIGGEST CHALLENGE: THE PERSISTENT THREAT OF AUTHORITARIAN POPULISM

## NATURE OF THE BEAST

- Danger of a more regressive, nationalistic, closed, illiberal, and authoritarian Europe
- Growing polarisation of societies
- People's genuine grievances
- Anti-establishment resentments
- Discontent with representative democracy
- New information channels in closed echo-chambers

## "WINNERS & LOSERS" OF CHANGE

- Socio-economic insecurities and rising inequalities
- Cultural and societal insecurities
- Generational insecurities
- Technological insecurities
- Security insecurities

## EUrope's PERCEIVED VULNERABILITIES

- The EU as an 'agent of unfettered globalisation'
- The EU as a powerless and 'inconsequential' construction
- The EU as an undemocratic, distant, and 'elitist' project
- The EU is losing its moral high ground

# State of the Union
## Three characteristics

The work conducted in the context of the NPE project in recent years has shown that it is ambitious and inevitably somewhat speculative to assess the current state of the Union, given the complex and evolving nature of developments in today's **volatile times**. Ultimately, it will be the task of historians to thoroughly evaluate the significance of the current phase in Europe's history.

It is nevertheless clear that, despite many ups and downs, the European integration process has been an undisputed **success story**, even if the cumulative impact of recent crises has endangered some of its major achievements and still casts a shadow over its future. The NPE debates organised at national and transnational level have shown that there is a deep appreciation of the benefits of European integration. But they have also exposed that there are good reasons to be **critical** of the current state of the EU.

The grand objectives that lay behind the bold experiment launched by the EU's founding fathers in the 1950s – securing peace, freedom, stability and security, and providing a solid basis for economic and social prosperity throughout the continent, grounded in the rule of law and a shared commitment to fundamental values – remain valid today. **At the age of 60**, the EU and its members can take pride in an "unrivalled record of accomplishments" (see Greek NPE report) that testify to the success of the European project.

The Union has been pivotal in overcoming deep historical divisions and assuaging nationalist and irredentist **passions**, while at the same time boosting the collective prosperity of European citizens. It has been a consistent guardian of **human and civil rights** within the framework of open and pluralist societies. It has upheld **tolerance**

and respect for national, ethnic, religious, cultural, and ideological differences. It has underwritten democratisation and **economic transformation** in its southern and eastern periphery. It has directed development funds to weaker economies, allowing them to improve their **infrastructure** and living standards, while enabling advanced economies to thrive in a deepening and expanding **Single Market**, with a single currency at the heart of the integration process. It has delivered seminal improvements in the lives of its citizens in a wide range of areas, from mobility, economic opportunities and development to workplace and consumer rights, the environment, **research** and education.

Nevertheless, the project is not – and never was – perfect. The integration process has not been without major hiccups and the history of European integration is littered with crises. But despite a series of heavy blows, the European project has, until now, always bounced backed and emerged stronger than before, proving itself to be remarkably **crisis-proof**. This is mirrored in Europeans' recognition that integration, despite its flaws, was and continues to be the best option to secure a better future and to protect Europe's collective interests. A poll conducted by the Bertelsmann Foundation for this report (see figure 1) shows that a strong majority of Europeans (54%) support greater political and economic integration.

So, what are the main **characteristics** of today's EU that hold the key to its future? The discussions held in the context of the NPE project have identified **three**:

► An improved but still unresolved poly-crisis;
► Collateral damage caused by the poly-crisis;
► Strong resilience and a new sense of optimism.

*Despite a series of heavy blows, the European project has, until now, always bounced backed and emerged stronger than before, proving itself to be remarkably crisis-proof.*

**SUPPORT FOR MORE POLITICAL AND ECONOMIC INTEGRATION**
SHARE OF RESPONDENTS IN FAVOUR OF LESS AND MORE INTEGRATION



| LESS | | MORE |
|---|---|---|
| 15% | ES | 76% |
| | IT | |
| | DE | |
| 29% | EU | 54% |
| | PL | |
| 36% | FR | 46% |
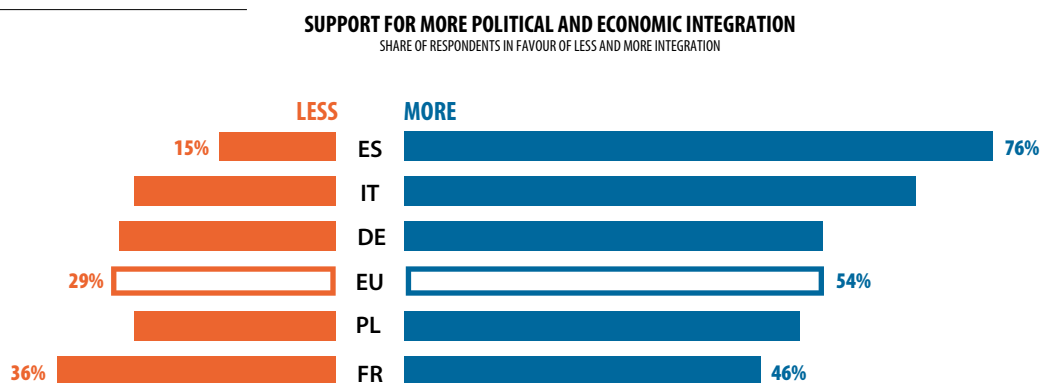
Source: eupinions, a Bertelsmann Stiftung project. For more data see www.eupinions.eu

# 1.  An improved but unresolved poly-crisis

*Europe's poly-crisis includes several multi-rooted and interlinked crises, from its financial, economic and currency woes to the migration and refugee crisis and the diverse security risks facing Europeans at home, in their neighbourhood and beyond.*

The poly-crisis that has buffeted Europe over the past decade has been more serious and threatening than most crises in recent history. For many years, **crisis mode** became the new normal, with many people questioning whether the EU could find a way to prevent the myriad problems besetting it from spiralling out of control.

Even before these multiple crises struck, Europe's societies and economies were already facing complex challenges: **ageing** and shrinking populations, which requires changes to welfare states; an overriding need to address the problems related to **climate change** and the scarcity of natural resources; rising socio-economic **inequalities** within countries; mounting economic concerns deriving from an increasingly interdependent and more competitive global environment; a fear of falling behind as other regions of the world begin to catch-up and even overtake the EU in some areas; insufficient **integration** of those from a migrant background into European societies; and low economic growth rates in many parts of Europe.

Europe was thus already under **pressure to adapt** to a changing environment, but the multiple crises of recent years have exacerbated existing problems and deficiencies. Deep cracks appeared in the European project. The EU's very future has been called into question.

Europe's **poly-crisis** includes several **multi-rooted and interlinked crises**, from its financial, economic and currency woes to the migration and refugee crisis and the diverse security risks facing Europeans at home, in their neighbourhood and internationally. Europeans have tried their best to avoid the most negative outcome in each case, but have not yet been able to make the Union '**future-proof**'. None of the major problems have been fully solved, **structural shortfalls** in the European construction remain and member states must now also contend with the cumulative collateral damage caused by the poly-crisis.

Many of the **reforms** essential to achieve long-term stability have **stalled**, with major policy disagreements between and within member states repeatedly leading to paralysis or half-hearted policy responses.

*The Economic and Monetary Union remains incomplete, despite some remarkable reform achievements since 2010.*

## THE FINANCIAL, ECONOMIC AND EURO AREA CRISIS

Following the collapse of Lehman Brothers in 2008, Europe became the epicentre of the biggest financial and economic crisis since the Great Depression of the 1930s. What began as a government **debt crisis** in one of the smallest economies on the EU's periphery soon exposed the fundamental flaws in a fully-fledged monetary union without an equally strong economic, fiscal, financial, and political union. The euro area crisis involved many complex, multi-rooted and interlinked sub-crises, including a **banking crisis**, a public debt crisis, a private debt crisis, a competitiveness crisis, a **growth and**

**investment crisis**, a social and employment crisis, as well as a **political and institutional crisis**. The EU is still haunted by the consequences of all this and the Economic and Monetary Union (EMU) remains incomplete, despite some remarkable reform achievements since 2010 and a recent improvement in overall economic sentiment.

As the dominos began to fall, it became obvious that the Union – and especially the euro area – was **insufficiently equipped** to weather the storm; that EMU lacked the necessary institutional structures, rules, procedures, and instruments to prevent

such a crisis from beginning, spreading and deepening.

The original EMU construction foresaw that each country would handle its sovereign debt or banking problems on its own. There was no common rulebook for situations in which a member of the common currency faced a liquidity or solvency crunch; **no mechanism** to support countries who had lost access to financial markets; and no common institution to monitor the potential risks of national financial institutions. When the crisis struck, there was **no textbook** that European and national decision-makers could turn to for guidance on how to react effectively.

**Responses** have often been slow, insufficient and sometimes ill-advised, and the results sometimes meagre and **disappointing**. But despite these shortcomings, the EU and its members have individually and collectively made **remarkable progress** in recent years. The pressures generated by fears of a euro implosion or an involuntary exit by one or more countries have made **many reforms** and developments possible at both European and national level, which were unthinkable before the crisis began.

Despite these achievements, the EU has struggled to get ahead of the curve and persuade markets and citizens that it can meet the fundamental challenges it is facing. At times, it seemed that the '**crisis snowball**' might trigger an avalanche with the potential to bury the euro and the European project beneath it.

The national and transnational NPE discussions organised in 2016-17 have shown that fears of a '**euro meltdown**' have receded significantly, but many of the underlying causes of the crisis remain unresolved, leaving the euro zone vulnerable to the next crisis. The Union still lacks an instrument to deal with potential insolvency crises in an orderly fashion or to cushion large asymmetric economic shocks. **Economic divergence** between EU countries has expanded and (youth) unemployment levels remain unacceptably high in member states hit hardest by the crisis. While it may be necessary to interpret the **Stability and Growth Pact** rules with great flexibility at times to promote growth, this undermines the credibility of a rule-based system. Despite all the efforts to create a **Banking Union**, it remains incomplete and the European financial system and capital markets are still highly fragmented and vulnerable.

Europe is unable to exploit its full economic potential. GDP growth has improved, but is still fragile and unevenly spread. Annual **productivity** growth remains low compared with Europe's global competitors. Low energy prices and a favourable euro exchange rate have provided some positive tailwinds, but public and private **investment** are much lower than, for example, in the US. Levels of **unemployment**, public debt and non-performing loans that are not serviced by debtors have not returned to pre-crisis levels in many member states (see figure 2).

*The pressures generated by fears of a euro implosion or an involuntary exit by one or more countries have made many reforms and developments possible at both European and national level, which were unthinkable before the crisis began.*

*Low energy prices and a favourable euro exchange rate have provided some positive tailwinds, but public and private investment are much lower than, for example, in the US.*

**ECONOMIC VARIABLES SINCE THE CRISIS**
CHANGE IN PERCENTAGE POINTS FROM 2007 TO 2016

Figure 2



● Unemployment  ● Non-performing loans  ● Public debt
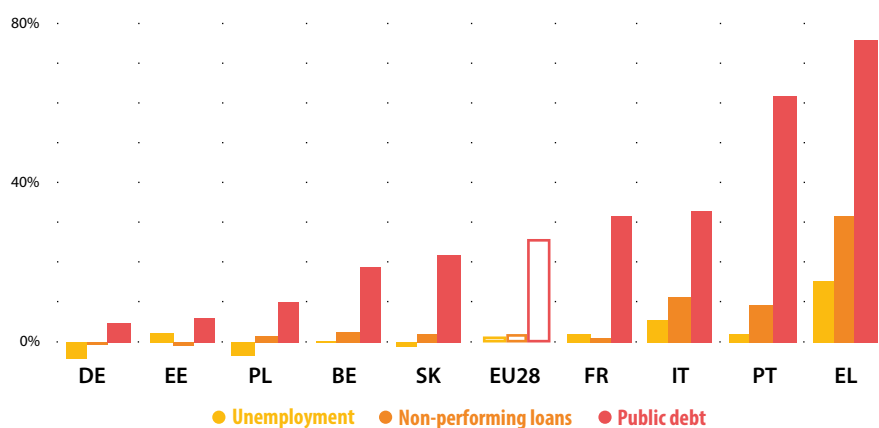
Source: Eurostat, Unemployment by sex and age – annual average; Eurostat, Government deficit/surplus, debt and associated data; IMF, Financial Soundness Indicators

**Migrants wait to be rescued by the Italian coast guard in the Mediterranean Sea, 30 nautical miles from the Libyan coast, 6 August 2017.**
(ANGELOS TZORTZINIS AFP)

*Collective efforts to solve the EMU's remaining structural deficiencies have, however, lost momentum since 2012, with the receding danger of a euro meltdown undermining governments' willingness to overcome the deep remaining divisions and take bold reform decisions.*

Some EU countries are still lagging behind their foremost rivals in the competitiveness stakes. Surplus countries (led by Germany) are not using their fiscal space sufficiently to stimulate **growth**. In structural terms, the EMU still lacks many of the elements proposed in the Four Presidents and Five Presidents reports or the European Commission's more recent reflection paper on deepening EMU.

All of this demonstrates that the EU institutions and member states still have a long way to go to complete the EMU and overcome the euro area crisis and its multiple negative consequences in a sustainable way. After years of nursing the euro area through the pain, the **European Central Bank** (ECB) wants to reduce the burden of safeguarding the currency's stability. It needs to gradually adapt its monetary policy to focus on inflation and economic growth. Governments would have to go much further in deepening EMU integration to secure the euro's long-term future. But they are not eager to follow through. As a result, the euro is almost bound to face more real-life '**stress tests**' in the coming years. There was broad agreement in the NPE discussions that the euro area still lacks some necessary ingredients to enable it to weather future storms.

There is thus no room for complacency at either European or national level. Collective efforts to solve the EMU's remaining structural deficiencies have, however, lost momentum since 2012, with the receding danger of a euro **meltdown** undermining governments' willingness to overcome the deep remaining divisions and take bold reform decisions.

The NPE debates have shown that there are two major camps between and within EU countries opposing each other. Those in the '**responsibility and competitiveness'** camp want a stricter implementation of rules, re-affirmation of the 'no bail-out' principle, reduction of risks within the euro area and more market discipline. They also wish to heighten pressure on EU countries to implement long-overdue structural reforms to bolster the competitiveness of these countries and that of the EU in a challenging global economic environment.

The '**solidarity and caring**' camp calls for more flexible and smarter rules, the direct or indirect introduction of common risk-sharing instruments, more support and incentives from the European level for national reform efforts, more fiscal room for public investment and higher levels of public spending, and actions to reduce macroeconomic imbalances. They also call for steps to develop the Union's 'caring dimension' by reinforcing its ability to secure minimal social standards at member state level, even though social policies are ultimately determined at national level.

Both sides have not only expressed their aspirations and hopes but also defined red lines when it comes to future EMU reforms. The experience of recent years has shown just how difficult it is to bridge their differences. NPE discussions have furthermore revealed that there is mounting concern in **countries which have not yet adopted the euro** that they might be discriminated against and disadvantaged by further EMU reforms and pushed further into the EU's political periphery – a prospect most people in these countries want to avoid.

# THE MIGRATION AND REFUGEE CRISIS

In 2015, a crisis of unforeseen magnitude unfolded, with an unprecedented number of people arriving on Europe's shores creating a major new source of tension, disunity, public discontent, and uncertainty. The very existence of a borderless Europe in the framework of **Schengen** was called into question. As NPE debates have shown, this is a major concern for Europeans, independent of the positions of individual governments. Although the numbers arriving have now fallen significantly, migration pressures are likely to remain and the issue will continue to dominate national debates in many countries. Despite progress in recent years, the EU and its members are still struggling to come up with effective internal and external responses and to move closer to a common migration, asylum and refugee policy worthy of the name. The **lower numbers** since 2016 have reduced the pressure to go much further and there are signs that complacency is creeping in.

Since 2015, more than 1.5 million people have entered the EU irregularly by boat or land, mostly via the **Eastern Mediterranean route** from Turkey through Greece or through the 'central Mediterranean route' from the northern shores of Africa, especially from Libya, to Italy (see figure 3).

Worldwide, more than 60 million people have fled their homes and around 20 million of them are currently in the Union's immediate neighbourhood, especially in Turkey, Lebanon, Libya, and Jordan. Although over 80% of the world's refugees are hosted in developing countries, Europe is – and will continue to be – an attractive destination for many.

Despite severe pressures, the EU and its members find it difficult to forge compromises on sensitive issues related to the migration and refugee challenge. Transnational and national NPE debates have clearly exposed the deep differences of opinion between and within EU countries, with people divided into **two basic camps**. Though they already existed before 2015, the crisis has widened the gap between them.

In one camp are those who argue that Europe has a moral, humanitarian, historical, and legal obligation to support those in need of help and refuge. They insist that European societies are **strong enough** to aid and welcome people forced to flee their homes, and maintain that putting up fences between EU countries or creating a '**fortress Europe**' is no solution. The EU and its members should rather **welcome** refugees and asylum-seekers, and ensure that everything possible is done to share the burden between countries and support the integration of newly-arrived migrants. Many in this '**solidarity**' camp also argue that migration is positive from an economic perspective and that it could help alleviate the costs of ageing and shrinking populations in most EU countries. Controlled economic migration is thus a necessity for Europe to secure its long-term prosperity.

**60** million people have fled their homes across the globe.

**20** million migrants are currently in the Union's immediate neighbourhood, especially in Turkey, Lebanon, Libya, and Jordan.

**80%** of the world's refugees are hosted in developing countries.

**ARRIVALS AND DEATHS ON THE MEDITERRANEAN ROUTES**
THOUSANDS OF PEOPLE PER ROUTE; FATALITIES AS % OF TOTAL

Figure 3
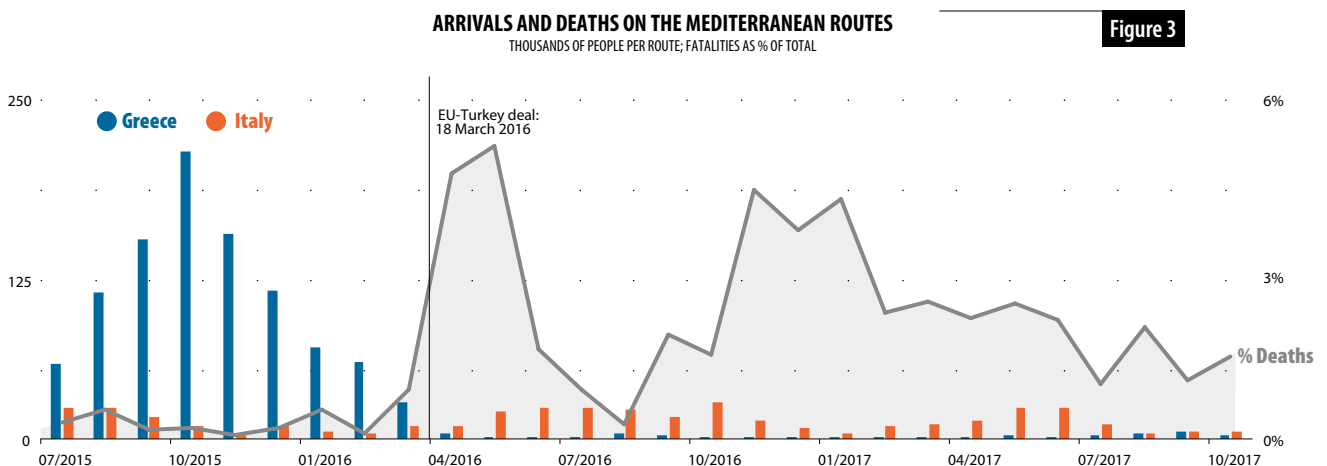


Source: UNHCR, Refugees/Migrants Emergency Response – Mediterranean, Sea arrivals evolution – Mediterranean sea, Comparison of monthly Mediterranean sea arrivals to Greece and Italy; Institute of Migration, Missing Migrants

*The relocation burden is not spread equally among member states, with large countries like Germany and France struggling to fulfil their commitments and some countries simply refusing to take any applicants at all.*

In the other camp are those who argue that Europe must protect itself from the large number of people trying to reach the continent. They emphasise the need to secure the EU's external borders and argue that failing to protect Europe's frontiers will undermine security and the free movement of people within the Schengen area. Many in this '**security**' camp believe that 'open doors' and 'generous support' have motivated many more people to come, and that Europe's migration policy should be much tougher in the future. They insist that there is an **upper limit** to the numbers that the EU and individual member states can cope with because it will be very **difficult** and costly to **integrate** millions of people into European societies and economies. Some even argue that the EU is endangered by '**foreign infiltration**' undermining internal security and that the integration of large numbers of (Muslim) migrants constitutes an insurmountable and potentially dangerous risk to political and **social cohesion** within member states.

Given the diverse set of opinions and pressures on political actors, especially from authoritarian populist forces, the EU has struggled to identify and implement a common response that balances security concerns and solidarity efforts between EU countries. The '**solidarity gap**' between EU countries was most evident in the fierce opposition to the emergency relocation scheme adopted in September 2015, with EU countries failing to fulfil their obligations and some of them challenging the decision in the European Court of Justice (Hungary, Slovakia)

and/or facing infringement proceedings for failing to participate in the scheme (Czech Republic, Hungary, Poland). A look at the numbers reveals big implementation discrepancies between EU countries. The **relocation burden** is not spread equally among member states, with large countries like Germany and France struggling to fulfil their commitments and some countries simply refusing to take any applicants at all (see figure 4).

Despite deep divisions between national capitals, EU member states have reached broad agreement on **three core objectives** to guide their response to the crisis: to prevent a further unravelling of the Schengen area; to safeguard Europe's borders, and, above all, to reduce the number of people arriving in the EU in an attempt to regain control of a chaotic situation.

In relation to the latter, the effective closure of the **Western Balkans route** following a highly controversial agreement between the EU and Turkey had a significant impact. The agreement helped to significantly reduce the number of arrivals, but at the cost of pushing people towards the comparatively more dangerous **Central Mediterranean route** (see figure 3 on page 13). Human rights organisations have heavily criticised the Union's actions, arguing that it has *de facto* led to a suspension of asylum laws and refugee rights in violation of European and international conventions.

Between 2015-2017, the migration and refugee crisis fuelled a number of policy

**Figure 4**

**MEMBER STATE COMMITMENT TO RELOCATION SCHEME**
NUMBER OF APPLICANTS RELOCATED; % FULFILLED OF LEGALLY-FORESEEN COMMITMENT

Finland: 1979
Portugal: 1532
Estonia: 141
Belgium: 1026
Slovakia: 16
Poland: 0
France: 4699
Germany: 9164

% fulfilled

Commitment legally foreseen
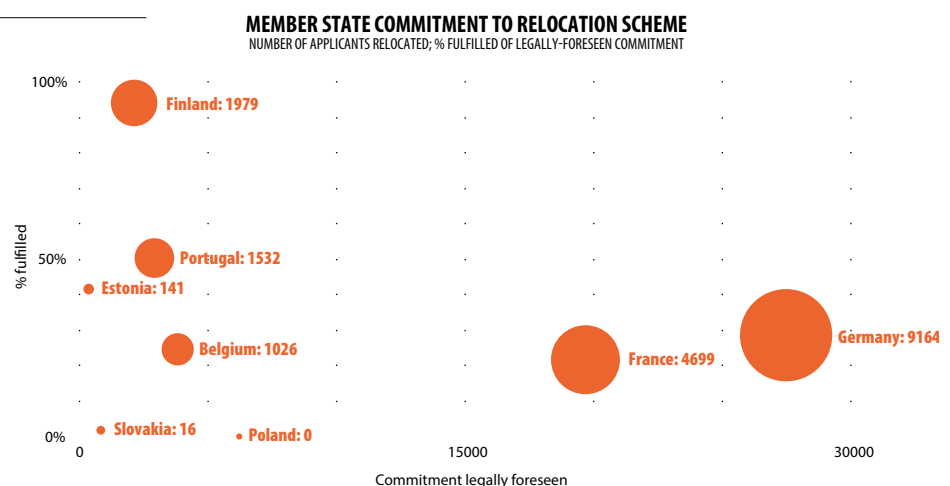
Source: European Commission, Member States' support to Emergency Relocation Mechanism as of 25 October 2017

developments in the EU, such as the creation of the **European Border and Coast Guard Agency (Frontex)**; the provision of financial and material assistance to the countries most affected by the crisis (although both Greece and Italy feel that fellow member states have not shown enough solidarity); increased support for displaced people and refugee camps in crisis regions; a new Migration Partnership framework and External Investment Plan to address some of the root causes of migration and boost cooperation with third countries of origin and transit, especially in Africa; a military operation to combat people- and arms-smuggling; and a temporary European Resettlement Scheme. The latter provides direct legal and safe pathways to enter the EU. The numbers foreseen, however, are merely a drop in the ocean considering the millions of people in need of international protection.

The EU and its members have not, however, been able to agree on more systemic reforms, including long-overdue changes to the **Common European Asylum System**. The European Commission has come forward with numerous initiatives and legislative proposals aimed at moving things forward, but member states have struggled to reach compromises on these and other issues.

Crucially, in 2016, the Commission presented proposals aimed at creating a fairer, more efficient and more sustainable system for allocating asylum applications among member states. It included a corrective 'fairness' allocation mechanism to determine automatically when a country is handling a disproportionate number of asylum applications and relocate all additional applicants to other EU countries. The Commission has also proposed a **permanent European resettlement framework** to establish a common set of procedures for the selection process and protection status for resettlement candidates.

These balanced and cautious proposals do not erode existing national competences. Yet, EU governments have not been able to find a compromise they can agree on, despite numerous proposals being floated to bridge the divide. They have also been unable to make progress on other reforms required to deal with the migration challenge effectively, such as creating more **legal avenues** for migration to reduce the lure of irregular migration, or **reforming EU policies** that affect rates of migration in areas such as



Migrants walk through the countryside after crossing the Hungarian-Croatian border in September 2015.
(ATTILA KISBENEDEK AFP)

agriculture, fisheries and the environment.

NPE discussions have shown that more needs to be done to effectively manage migration flows and overcome some of the policy stalemates the EU has been witnessing, which ultimately could even undermine the tangible benefits of Schengen. Member states need to agree on, and implement, a more comprehensive **strategy regarding human mobility** based on a more holistic concept of migration management. The NPE debates underlined that if they fail to do so, migration will remain a highly **divisive** issue, both between and within individual member states, with negative consequences for the Union as a whole.

What we have witnessed in recent years is a focus on *ad hoc* **firefighting**, with the attendant risk that the EU will run out of steam and fail to deliver more fundamental reforms. The sense of urgency that gripped the continent when refugees walked along motorways in the heart of Europe has gone. But with the crisis still fresh in people's minds, policymakers find themselves trapped between voters' desire for **quick fixes** and the **complex reality** of the situation, which requires a long-term approach based on a balanced compromise between the diverse camps within and among member states.

*The sense of urgency that gripped the continent when refugees walked along motorways in the heart of Europe has gone.*

*With the crisis still fresh in people's minds, policymakers find themselves trapped between voters' desire for quick fixes and the complex reality of the situation, which requires a long-term approach.*

## THE EXTERNAL AND INTERNAL SECURITY THREATS

Europe encounters a rising number of external and internal threats. The pressure to assume more regional and global responsibility is also intensifying. Internally, the EU faces major security and societal challenges in responding to the accelerated pace of terrorist attacks. Externally, its immediate neighbourhood both in the east and south is characterised by instability and, at times, confrontation.

The national and transnational debates in the framework of the NPE project have revealed varying geopolitical priorities. To the east, member states face military, political, economic, and energy-security related threats and vulnerabilities, especially in their relationship with the EU's biggest neighbour, Russia. To the south, the spread of conflict and ungoverned territories has created a security vacuum that is often filled by terrorists and criminals. In this volatile context, a **unifying element** is the election of President Trump, which has raised questions about the future global economic and political order, and Europe's role within it.

In this new environment, a poll conducted by the Bertelsmann Foundation shows that an overwhelming majority of citizens across Europe (80%) want the EU to assume a **more active role in world affairs** (see figure 5). Progress has been made, but it remains to be seen whether the EU27 have the political will and energy to translate into actions the ambitions to reinforce the Union's role as a comprehensive security provider.

With respect to internal security, the rise of terrorism is having a particularly negative impact on the public's collective perceptions and concerns. Surveys show that it is regarded as a constant danger in many EU countries. In the words of the Belgian NPE report, "*the terrorist bombings of the Brussels airport and Maalbeek metro station – striking at the heart of Belgium as an international hub – constituted the most unmistakeable wake-up call so far that security and prosperity can never be taken for granted.*"

The fear induced by the terrorist attacks has also polluted the debate about migration and **integration** policies in Europe. With xenophobic parties exploiting citizens' concerns, there is a serious risk that a narrow security-driven response to terrorism will prevail over the broader, more comprehensive approach required. The latter emphasises the need for appropriate **prevention** strategies and for addressing the root causes of extremism and radicalisation within Europe and beyond.

Social inclusion and integration, intercultural dialogue and respect, and improved socio-economic prospects (especially among young people) are essential components in the fight against violent **radicalisation**. In recent years, however, the EU and its members have focused mainly on the security aspects and on reinforcing the capacity to uncover and dismantle terrorist networks and avert attacks. The EU has adopted numerous measures to support national responses to terrorism through closer cooperation among member states. Some progress has been made at European level, but in a reactive rather than pro-active way and at a slow and uneven pace.

*An overwhelming majority of citizens across Europe (80%) want the EU to assume a more active role in world affairs.*

---

**Figure 5**

**SUPPORT FOR A MORE ACTIVE ROLE OF THE EU IN WORLD AFFAIRS**
SHARE OF RESPONDENTS WHO WANT LESS OR MORE ACTIVE ROLE



LESS        MORE

11%    ES    89%
       IT
       PL
       DE
20%    EU    80%
26%    FR    74%

Source: eupinions, a Bertelsmann Stiftung project. For more data see www.eupinions.eu

In the field of external policy, the instability in Europe's neighbourhood and the uncertainty regarding the US commitment to Europe's defence have raised fundamental questions about member states' responsibility for their own security and the EU's role in defence matters. Governments have long dodged the former question and most have been ambivalent about the latter. But the NPE discussions have stressed a **renewed sense of urgency** in this debate and highlighted the need to invest more in defence and that disjointed national efforts are inadequate to equip Europe to cope with the security risks it faces.

Against this backdrop, progress has been made over the past year towards creating mechanisms that pave the way for **deeper European defence cooperation** and strengthen its strategic autonomy. The aim is to foster cooperation by coordinating the review of national defence planning, establishing a set of binding commitments for countries willing and able to sign up to more ambitious goals, and providing **financial incentives** for collaborative research and procurement projects. The output of these new tools and arrangements will depend on whether and to what extent governments decide to engage through this framework: while a degree of convergence can be detected, differences in national threat assessments, strategic cultures and views on the EU's role have not vanished.

The debate on European defence has long featured **three main divides** between countries, which were also evident in many of the NPE transnational debates. The first relates to **threat assessments**, with most Central and Eastern European countries focused on the geopolitical challenges posed by Russia to the East, and Mediterranean EU countries chiefly preoccupied with the destabilisation of the Middle East and the vast region stretching from the Sahel to the Horn of Africa. The second concerns the **use of force**, with countries like France prepared to undertake demanding military operations whether in multilateral formats or on their own, and others, notably Germany, much more cautious in mobilising military forces and less willing to take part in combat operations. The third is between those who think a stronger European defence policy would undermine the **Atlantic Alliance** and those who believe this would reinforce it.

EU countries still have varying geopolitical priorities and threat perceptions, but they have managed to maintain a common front towards Russia over Ukraine and to slowly shape a common approach to crisis management and capacity building in the Sahel. Diverse strategic cultures endure when it comes to the use of force, but gaps are slowly narrowing. The debate over the relationship between European defence and **NATO** has also shifted significantly over the past couple of years. It is now broadly accepted that reinforcing EU member states' military capabilities will enable them to better contribute to the tasks and operations in both the EU and NATO contexts and that cooperation between the two is mutually reinforcing.

The June 2016 **EU Global Strategy** stressed the need for progress in defence, emphasising that Europeans must make a much bigger contribution to their own security, whether through NATO or acting autonomously; move towards 'defence cooperation as the norm'; generate stronger capabilities through smarter, joint investment; and become more effective in using them. Many of these priorities have long been debated at EU level, with member states either disagreeing or making commitments that went largely unfulfilled, prompting the Global Strategy to warn that turning words into deeds is a matter of credibility for European defence policy.

The Strategy was presented at a time of great turbulence in European and international politics, between the **Brexit vote** and President **Trump's election**. The NPE debates have demonstrated that, contrary to some predictions, both events have spurred a renewed sense of commitment in many countries to work together and present a common front on the international stage. Alongside an **uncertain security environment** in Europe's neighbourhood, they have created a more conducive climate to make progress on Europe's security and defence agenda. Differences remain, but national positions appear more fluid than in the past.

Most member states have accepted the need to invest more in their defence and have begun doing so. Until Brexit and the US election, the case for fostering EU defence cooperation did not gain much traction in national capitals, but since 2016, France,

*The debate over the relationship between European defence and NATO has also shifted significantly over the past couple of years.*

*It is now broadly accepted that reinforcing EU member states' military capabilities will enable them to better contribute to the tasks and operations in both the EU and NATO contexts and that cooperation between the two is mutually reinforcing.*

*The UK was not the only stumbling block to progress, but other sceptical countries could no longer rely on its veto when several others lined up to pursue more ambitious goals.*

Germany and others have pushed the debate further through important papers and statements. These initiatives have helped shift the centre of gravity in the debate, alongside the Global Strategy implementation process in security and defence matters and the Commission's proactive approach to supporting European defence research programmes and collaborative procurement efforts.

Multiple internal factors have contributed to accelerating progress. With the UK on its way out of the EU, Germany opted to team up with France and others to deepen European defence cooperation. The UK was not the only stumbling block to progress, but other sceptical countries could no longer rely on its veto when several others lined up to pursue more ambitious goals. This was also seen as an opportunity to send a **message of unity** post-Brexit and demonstrate a willingness to join forces to **respond to citizens' concerns**. Security and defence were regarded as relatively 'low-hanging fruit', although individual countries' level of ambition was very uneven. Furthermore, the **prospect of a multi-speed Union**, with clusters of countries cooperating more deeply in exclusive formats, worried some member states who feared being left out. It has therefore

provided an additional incentive to join the debate and ensure that any arrangement for differentiated integration in defence matters is inclusive and considers various national concerns and priorities.

In short, those countries broadly in favour of a stronger EU role in security and defence, long unwilling to back their rhetorical commitment with real political capital, decided to throw their weight behind practical measures. Those sceptical of progress were unable to halt this new dynamic, although they opposed specific proposals and sought to dilute others. National positions did not shift overnight, but **various political tides in Europe lifted the debate**. The broadening of the agenda also helped: member states could disagree over some issues while having a strong interest in advancing on others, blurring the distinction between advocates of European defence cooperation and sceptics, and creating space for trade-offs, which are necessary if the EU27 want to deepen their security and defence cooperation. The EU27 still need, however, to prove that they will be able to fulfil the expectations they have raised with respect to the EU's future role as a comprehensive security provider.

**EU High Representative for Foreign Affairs Federica Mogherini and Commissioner Jyrki Katainen talk to the media about the future of European Defence.** (THIERRY CHARLIER-AFP)

# 2. Collateral damage

Each component of the EU's poly-crisis is grim and complex on its own, and none have been overcome in a sustainable way. But the overall picture is even more complicated. The interlinked and mutually reinforcing crises have caused collateral damage, fuelling **frictions** both between and within member states. In the context of the NPE project, the national debates exposed the tensions within each country while the transnational debates revealed the high degree of **fragmentation** between EU member states.

Following the outbreak of the poly-crisis, the EU and its members have, by and large, sought to 'kick the can down the road'. Most of the time they have been in **reactive** mode, focusing on avoiding the worst possible outcomes without, on many occasions, being able to implement the remaining structural reforms required at European or national level.

From a pragmatic perspective, this may have been a rational way of dealing with the crises, in the absence of a 'textbook' that decision-makers could turn to for guidance and given the lack of consensus between and within member states. As a result, in most cases, the EU has only been able to address the **symptoms** of the crises rather than to tackle their multiple **root causes**. EU leaders often appeared as if all they could do was to buy time, hoping that some of the measures they adopted would deliver results, the situation would improve over time, and worst-case scenarios would not materialise. The result was a lot of **improvisation** under severe time pressure.

A lesson for many decision-makers has been that when things escalate, extraordinary measures can be adopted under intense pressure at the **11ᵗʰ hour** to avoid the situation from imploding. This has worked on numerous occasions, but it is underpinned by a potentially **dangerous logic**: just because the EU has 'survived' does not mean the situation might not spiral out of control in future. Even if some crises grow 'cold', the embers of a smouldering fire could flare up again any time.

The accumulation of so many structurally unresolved crises has raised the risk of future escalation. Even if the situation looks better today than it did in 2015-16, it is by no means certain that the '**iron law' of European integration** – that the EU always emerges stronger from a crisis – will prove itself again. Only if the EU comes through this difficult period, will it benefit from a '**resilience dividend**'. Having demonstrated that it can become 'crisis-proof', the EU will grow more mature, making it much harder to call its very existence into doubt.

But this is by no means certain and the greatest risk is a **political 'accident'** in a large member state that would have a serious impact on the Union as whole. What was true in the early phases of the euro area crisis remains true today: big countries are too big to rescue. The **mood music** in some founding members remains extremely sombre – as reflected in the Italian and French NPE debates – and the voices of those who question the benefits of EU membership have become much louder.

At the same time, the EU27 face an even deeper problem: the profound collateral damage caused by the poly-crisis at national, European, and global level. These unintended political, economic, social, and societal consequences **limit the ability** of the EU to take more assertive measures to address the fundamental causes of the crises. They have also led to a 'crisis of national narratives' about European integration. In many member states, people are now much more **critical** of the European project, as was all too evident in the national and transnational discussions held under the NPE project over the past five years. In the words of the Belgian NPE report, "*a frank discussion about both the nature and the limits of European integration is becoming unavoidable*." Hence any attempt to reform the European project needs to start with a thorough analysis of the negative effects of the **poly-crisis** and to take these into account when elaborating recommendations on the way forward.

*In most cases, the EU has only been able to address the symptoms of the crises rather than to tackle their multiple root causes.*

*It is by no means certain that the 'iron law' of European integration – that the EU always emerges stronger from a crisis – will prove itself again.*

*Even if some crises grow 'cold', the embers of a smouldering fire could flare up again any time.*

## FRAGMENTATION AND DISTRUST AMONG MEMBER STATES

High levels of distrust among member states, and between national capitals and 'Brussels' have not only affected governments and decision-makers but also societies as a whole, with an unprecedented resurgence of national stereotypes, nationalistic chauvinism, historical resentments, and a damaging blame game between governments and even between 'ordinary' people across Europe – north, south, east, and west.

Signs of **fragmentation** were evident in many national and transnational NPE debates. Mutual accusations of a lack of solidarity have deepened the divides and weakened trust among member states. This phenomenon was further exacerbated by the **refugee crisis**, as countries hit hardest by the influx of migrants expected more support from other member states. It was also worsened by a failure to implement decisions taken collectively in Brussels, as with the temporary **relocation scheme** adopted in the context of the refugee crisis (see figure 4 on page 14).

In parallel, there has been a loss of **trust** between national capitals and EU institutions, significantly hampering cooperation between 'Brussels' and the member states. Some argue that the EU institutions have (still) not understood the signs of the times and are intent on fostering **supranational integration** against the will of most citizens, who want the EU to concentrate on areas where European integration can provide genuine added value.

There are also those (especially in Germany, the Netherlands and some Central and Eastern European countries) who criticise the Juncker Commission for seeking to play a more **political role**, arguing that this runs counter to its essential impartiality and independence. Others (especially in Southern Europe and among smaller member states who traditionally see the Commission as their strongest ally) feel that it has lost power in the inter-institutional setting and is thus no longer able to provide **strategic guidance**. Whatever the individual reasons, the result is that EU institutions are less trusted, which hampers the overall functioning of the Union.

*Mutual accusations of a lack of solidarity have deepened the divides and weakened trust among member states.*

*There has been a loss of trust between national capitals and EU institutions, significantly hampering cooperation between 'Brussels' and the member states.*

*Many people feel that the costs of the financial and economic crisis have not been distributed fairly.*

## EUROPEAN COOPERATION NO LONGER A WIN-WIN EXERCISE

European cooperation is no longer perceived as a win-win exercise from which all member states and their citizens profit. There are serious doubts in many quarters about the Union's added value, with a palpable feeling in many countries that European integration is **no longer a positive-sum game** (although the underlying reasons for this differ significantly). In both creditor and debtor countries, many people feel that the costs of the **financial and economic crisis** have not been distributed fairly: creditor countries feel that they have been forced to pay for the mistakes of others, while debtor countries hold that those on Europe's periphery have suffered disproportionally from the crisis and the **austerity** measures imposed on them. Citizens in many EU

countries feel the **promise** of **economic prosperity** and convergence through the Single Market and the euro has not been fulfilled, while others criticise the failure to push through structural economic reforms in countries lagging behind in the competitiveness stakes. The countries most affected by the **refugee crisis** (Austria, Germany, Greece, Italy, and Sweden) feel that their EU partners (especially in Eastern Europe) have failed to show enough solidarity by taking in an adequate number of migrants and asylum-seekers, while conversely, many in Eastern Europe argue that an excessive *Willkommenskultur* has fuelled much bigger influxes of refugees, undermining Europe's security. This divide was evident in the NPE-organised transnational debates.

Figure 6

## CHANGE IN GDP ACROSS MEMBER STATES
### INDEX STARTS AT 100% IN 2007
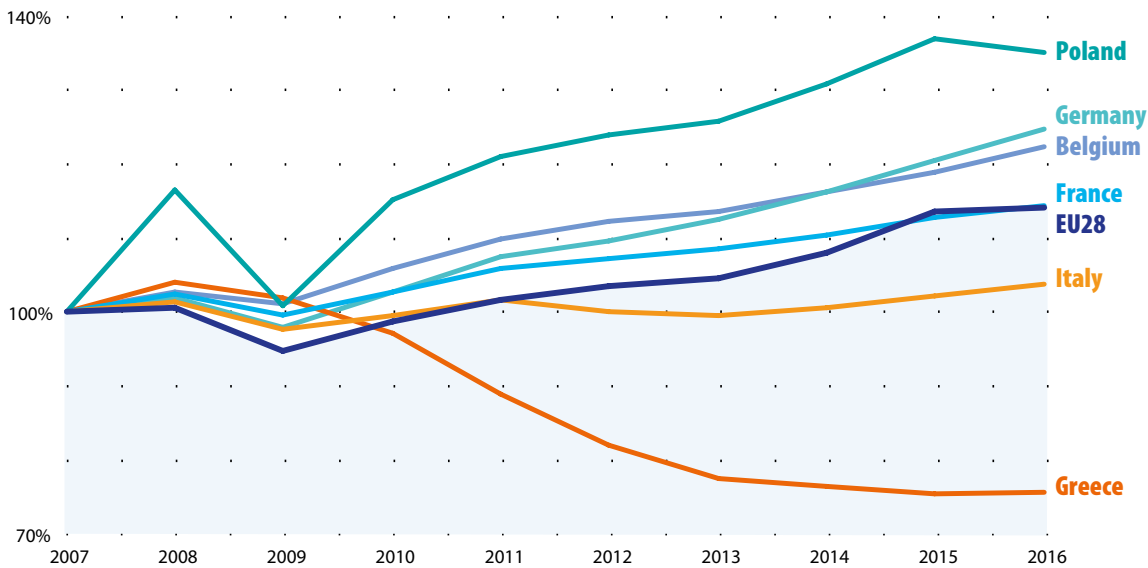


Source: World Bank

## WIDENING DIVERGENCE IN REAL AND THINKING TERMS

There is a widening economic gap between EU countries. While some have managed to weather the storm, many others are struggling with lower long-term growth rates, a lack of regional and global competitiveness, insufficient public and private **investment** levels, higher real interest rates, persistently high **public debt** levels, very high levels of youth unemployment, and a deep social malaise. As a result, after years of gradual convergence before the crisis began, the EU has witnessed spreading economic divergence since 2007-8 (see figure 6).

**Living standards** and social conditions vary significantly across Europe, both between and within countries, putting an especially heavy burden on those hit hardest by the crisis (as highlighted in the Greek, Italian, French, and Portuguese national NPE reports). They can no longer counter macroeconomic imbalances through independent national monetary policies and are thus forced down the painful path of **internal devaluation**.

Widening **economic divergence** also constitutes a problem for the ECB, which must conduct a single monetary policy in an increasingly heterogeneous currency area. The resulting **near-zero inflation** and low interest rates have been attacked throughout

the EU, with economically weaker countries critical of the painful internal devaluations required to curtail deficits rapidly in a near-zero inflation environment, while those who have weathered the storm much better feel that low-interest rates have placed a heavy burden on savers. These criticisms were very much echoed in the national NPE debates.

Alongside widening divergence in real terms, there has also been a **rising disparity** in how people view the situation in Europe. Policymakers, experts and the wider public in member states assess the state of the Union and the root causes, nature and gravity of the multiple crises it faces in very diverse ways. Europeans seem at times to be almost 'living on different planets': they do not share the same analysis, let alone agree on the remedy. These differences were underlined in the transnational NPE debates, with participants from separate EU countries often holding **distinct interpretations** of the situation and future challenges.

This widening divergence in real and thinking terms has widened the gap between member states, making it much harder to forge compromises and to implement joint actions and reforms requiring broad support at European and national level.

*After years of gradual convergence before the crisis began, the EU has witnessed spreading economic divergence since 2007-8.*

*Europeans seem at times to be almost 'living on different planets': they do not share the same analysis, let alone agree on the remedy.*

## RISING SOCIAL INEQUALITIES AND POLITICAL DIVIDES WITHIN MEMBER STATES

*Rising inequalities undermine social contracts and may even endanger social peace within countries and between generations.*

Although their origins predate the financial and economic crisis, real and perceived social divides within EU countries have widened in recent years. This has fostered a growing sense of social injustice, which has fuelled **indignation**, despair and even anger in many parts of society, including also in member states that have been able to weather the storms of the financial and economic crisis. Rising inequalities undermine **social contracts** and may even endanger social peace within countries and between generations. **Socio-economic progress** is not felt evenly across all parts of society, and many feel that the gains of globalisation and free markets are unequally distributed, while everyone shares the risks of a more integrated global economy.

In parallel, political divides have widened within countries because of waning trust in traditional political elites and 'the establishment's' ability to provide timely and adequate policy responses to today's complex challenges. This has fostered a more fundamental 'crisis of representative democracy' characterised by widespread political disenchantment, a high degree of **electoral volatility**, anti-establishment reflexes, and pressures on all sides of the political spectrum. In almost all countries involved in the NPE process, mainstream liberal political forces have struggled to counter the simplistic and often counter-factual rhetoric of populist forces on both the left and right (see the analysis of the persistent populist threat in chapter 2).

## INABILITY TO FAIRLY BALANCE NATIONAL INTERESTS: A 'CRISIS OF LEADERSHIP'

*The Franco-German engine lost traction and relevance, leading to a much broader 'crisis of leadership'.*

From a politico-institutional perspective, many feel that the EU's governance structures are no longer able to balance national interests and reconcile diverging preferences within the wider context of the overall European interest. Critics claim the Union has become more intergovernmental as the powers and political weight of the **European Council** have expanded in times of crisis at the expense of the European Commission and the European Parliament, which are no longer capable of defending collective supranational interests. In parallel, there are widespread concerns (especially among smaller and less influential member

states) about a perceived '**unbalanced intergovernmentalism**' in the institutional system, with decisions heavily influenced or even dominated by the views and interests of specific member states, and with Germany playing a much more dominant role than in the past. All of this occurred while the **Franco-German engine** – which had helped to balance divergent interests in the EU for many decades – lost traction and relevance, leading to a much broader 'crisis of leadership' and another source of collective stalemate, given that Berlin and Paris where not able to jointly push things in the same direction.

## WIDESPREAD FRUSTRATION WITH THE EU'S INABILITY TO TACKLE THE POLY-CRISIS

*Widespread frustration with the EU as it stands is also felt by political, economic, cultural, and intellectual elites.*

A growing number of people have turned their backs on the EU during the poly-crisis because of **dissatisfaction** with the current state of the Union. A survey of the Bertelsmann Foundation found out that 66% of citizens are not satisfied with the Union's current direction (see figure 7).

And although levels of public support are improving, the EU is still widely perceived as having not been 'part of the solution' but

rather 'part of the problem' in the recent spate of crises. This perception has poisoned national debates and public attitudes towards the Union, as has the feeling that the EU is too **elitist** and does not represent the interests of ordinary citizens.

To a much greater extent than in the past, widespread frustration with the EU as it stands is also felt by political, economic, cultural, and intellectual **elites**, many of whom have lost

**SATISFACTION WITH CURRENT DIRECTION OF THE EU**
SHARE OF RESPONDENTS SAYING THE EU IS GOING IN THE WRONG OR THE RIGHT DIRECTION
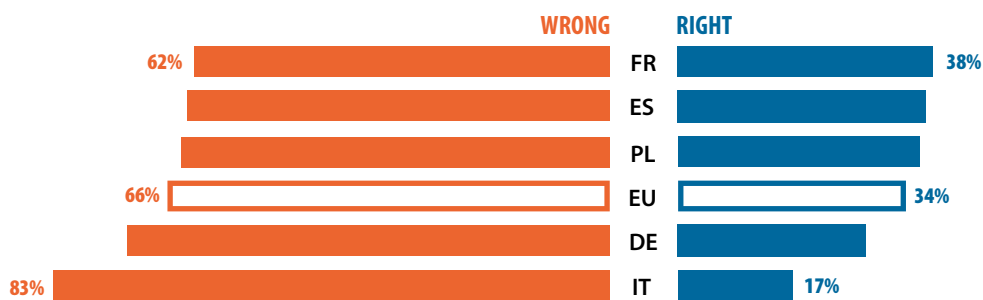


| | WRONG | | RIGHT |
|---|---|---|---|
| FR | 62% | | 38% |
| ES | | | |
| PL | | | |
| EU | 66% | | 34% |
| DE | | | |
| IT | 83% | | 17% |

Source: eupinions, a Bertelsmann Stiftung project. For more data see www.eupinions.eu

**HOW PROUD DO YOU FEEL TO BE EUROPEAN?**
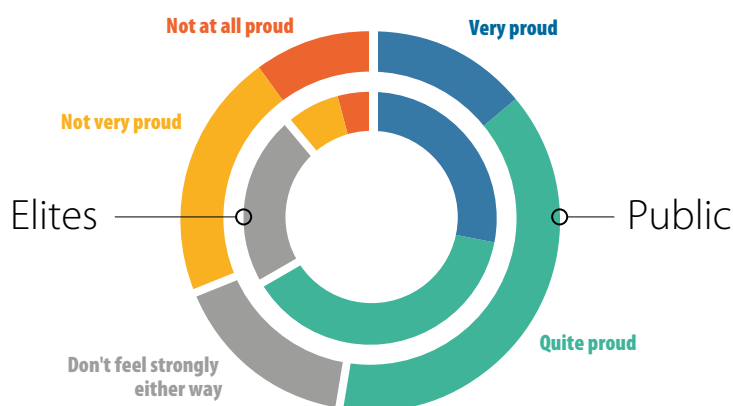


Not at all proud
Very proud
Not very proud
Elites — Public
Quite proud
Don't feel strongly either way

Source: Chatham House, "The Future of Europe: Comparing Public and Elite Attitudes", 20 June 2017

confidence that it can master the crises. This trend was also evident in the NPE debates, with experts and policymakers becoming much less ambitious and more **critical** of the EU over the past five years. Given that these elites can strongly influence public opinion, this development is particularly worrying.

The widespread perception that today's EU is unable to cope with the immediate problems it faces undermines trust in its ability to tackle future challenges. This perception is aggravated by an expanding '**implementation deficit**': member states agree on measures at EU level which they then fail to implement at home, putting into question not only the Union's problem-solving capacity but also, more fundamentally, adherence to the rule of law.

**Frustration** with the Union also raises questions about what unites Europeans, making it harder to foster the shared sense of identity and **destiny** required to generate active support for integration. At the same time, people have become increasingly aware of the growing **impact of decisions** taken in Brussels

and Strasbourg and the high degree of interdependence among member states, especially in the euro area.

NPE discussions in the member states involving 'ordinary' citizens have shown, however, that many feel that they cannot influence the formulation of policies because of the EU's complex and often incomprehensible **decision-making** system. This impression is also fuelled by national politicians' tendency to blame 'Brussels' for some of their own failings and their reluctance to give the Union credit for its successes. Such attitudes aggravate the long-standing legitimacy issue.

Despite the widening **capability-expectations gap**, a broad majority of people still support the basic notion of European integration and cherish its many accomplishments (see figure 8). They are aware of the potential 'costs of non-Europe' if the EU implodes, and feel that most contemporary problems **transcend national boundaries** and cannot be solved at the national level alone.

*Member states agree measures at EU level which they then fail to implement at home, putting into question not only the Union's problem-solving capacity but also, more fundamentally, adherence to the rule of law.*

*People are aware of the potential 'costs of non-Europe' if the EU implodes.*

## DAMAGE TO THE EU'S EXTERNAL REPUTATION

*Accession countries sense that the prospects for future rounds of enlargement will remain gloomy for the foreseeable future.*

The EU's inability to tackle the poly-crisis has not only undermined confidence in the 'project' among its own citizens and elites, but has also severely damaged its reputation on the international stage, with many **questioning** whether the Union can emerge stronger from the multiple crises it has experienced and begin to look outward again. This 'loss of attraction' is evident both in the EU's immediate neighbourhood and at global level.

In the Western Balkans, **accession countries** sense that the prospects for future rounds of enlargement will remain gloomy for the foreseeable future, which in turn limits the Union's ability to influence political and economic developments in its immediate neighbourhood.

In the **international arena**, partners acknowledge Europeans' declared desire to intensify cooperation in foreign, security and defence policy, but many have serious doubts that member states will put their money where their mouth is and fear they will (once again) remain preoccupied by internal affairs and fail to assume more global responsibility.

In **global trade**, there are concerns that heightened introspection might fuel protectionist tendencies in Europe, with a negative impact on international exchanges, although this has been countered by EU efforts to conclude and/or ratify bilateral trade agreements with leading international partners such as Canada, Japan and Mercosur.



**Protest against CETA outside the European Council in Brussels, 20 September 2016.**
(JOHN THYS - AFP)

# 3. Strong resilience and a new sense of optimism

The EU's inability to master the poly-crisis in a way that guarantees long-term stability, together with the collateral damage the crisis has caused, have raised fundamental questions about its **future**. Despite all the turmoil since 2008, the Union has, however, been remarkably resilient in the face of the forces of **disintegration**.

More recently, there has even been a new sense of optimism about its prospects, a more upbeat mood echoed in many NPE debates. The **renewed unity** following Brexit and Donald Trump's election, a return to economic growth and the fact that 2017 has not been the political *annus horribilis* in Europe that many feared it would be, have all fuelled hopes that the European project might be re-energised after years of crises, although the jury is still out on where all this will lead.

Many **prophets of doom** have repeatedly predicted the EU's imminent collapse, and they have repeatedly been proved wrong. Some predicted a Greek exit from the euro ('Grexit'), others warned of an upcoming implosion of the common currency, the end of Schengen, or a military stand-off between the West and Russia over Ukraine. None of this happened, although at times it felt as if the situation might spiral out of control, and eventually the EU did have to face the consequences of one such 'accident' when the British voted for Brexit.

First and foremost, the Union's strong foundations can explain its resilience: 60 years on, integration has become part of Europe's **collective DNA**. The many benefits of European integration, the increasing interdependence among member states (especially within the euro area), the **deep** and complex historical, political, economic, and societal **ties** that bind member states and citizens, have all made it extremely difficult to abandon the European project. Most people believe the 'costs of non-Europe' would be high and a clear majority of citizens want their country to remain in the EU.

Nevertheless, while interdependence and claims that 'There is No Alternative' (TINA) to European integration may have been strong enough to avert disintegration, they are not sufficient to rebuild the public's trust in Europe's future. This requires a much more positive and proactive narrative about the prospects for – and benefits of – European cooperation.

*The EU has been remarkably resilient in the face of the forces of disintegration, and there is now even a new sense of optimism about its future.*

*While interdependence and claims that 'There is No Alternative' (TINA) to European integration may have been strong enough to avert disintegration, they are not sufficient to rebuild the public's trust in Europe's future.*

## UNITY IN THE FACE OF BREXIT AND TRUMP

In their declaration on the **60th anniversary** of the Rome Treaties (March 2017), EU leaders underlined that "*Europe is our common future*" and that, in the decade to come, they want a Union that is "*safe and secure, prosperous, competitive, sustainable and socially responsible, and with the will and capacity of playing a key role in the world and of shaping globalisation*" – although it is by no means certain that the EU27 will be able to fulfil their promise to make the Rome agenda "*become tomorrow's reality*".

Although the EU has by and large avoided cataclysmic developments, the narrow British vote for **Brexit** in June 2016 was a devastating blow. The result came as a surprise to many in Brussels and in national capitals. Continental Europeans watched the heated referendum debate in the UK – often based on exaggerations, false promises or even outright lies – with concern, but most thought fear of economic uncertainty following a vote to withdraw would ultimately prevent Brexit. They were wrong.

*The British decision appears to have acted as an external unifier, both at the level of governments and the public.*

*Trump's election has also fuelled more international uncertainties, which in turn underlines the need for Europeans to remain united and assume more responsibility in their own region and on the global stage.*

More than a year after the referendum, the full consequences of the Brexit vote for the UK, for the EU27 and for the future relationship between Britain and continental Europe, are still not clear. After decades of expansion, this is the **first time in the history** of European integration that a country has opted to leave the EU. There is no precedent, and both sides are struggling to figure out precisely where the exit negotiations might lead. Meanwhile, the **clock is ticking** and the UK is due to exit the Union at the end of March 2019.

The negotiations are inevitably tough. The EU27 have defined clear principles and seem firmly committed to maintaining a united front, although the process might, at times, test their common positions, given some diverging economic and political interests. Meanwhile, the UK appears deeply divided, struggling to define what it wants out of the process and which financial and political concessions it is ready to make to build a constructive relationship with the EU.

In the aftermath of the Brexit referendum, many in continental Europe feared that it might trigger a negative **domino effect** in the EU27, that the Union would become even more fragmented and that other member states might be tempted to follow the British example. But that has not happened. Instead, the many uncertainties and potential political, economic, and societal costs of the British decision appear to have acted as an **external unifier**, both at the level of governments and the public (see figure 9).

Even if the UK has not yet left the Union, the EU27 are trying to look forward and sketch a positive vision of Europe's future without Britain. Brexit had a positive impact on public opinion in the EU27. The political instability and rising divisions in the UK, the risk of the **country breaking apart**, and the unfolding economic uncertainties and potential costs related to Brexit are demonstrating, under real-life conditions, that leaving the Union is a complex process involving many uncertainties, insecurities and costs. Most citizens in the EU27 – **55%** according to a poll conducted by Pew – hold that Brexit is bad for the UK (see figure 9).

**Donald Trump's election** as the 45th president of the United States is also fostering European unity and public support for European cooperation. His victory has strengthened public perception that the EU is a haven of stability and security. It showed that populists could come to power, even in countries with strong liberal and democratic credentials. In the months since his inauguration, Europeans have seen the negative impact of Trump's election on the country's political culture, polarised society and policy choices, from abandoning the **Paris climate deal** to backtracking from President Obama's healthcare reform and introducing restrictions on migration. Trump's election has also fuelled more international **uncertainties**, which in turn underlines the need for Europeans to remain united and assume more responsibility in their own region and on the global stage.

**Figure 9**

**WILL BREXIT BE GOOD OR BAD FOR THE UK?**

BAD    GOOD

| | BAD | | GOOD |
|---|---|---|---|
| EL | 31% | | 46% |
| IT | | | |
| HU | | | |
| PL | | | |
| UK | | | |
| EU | 55% | | 29% |
| FR | | | |
| SE | | | |
| ES | | | |
| NL | | | |
| DE | 80% | | 14% |
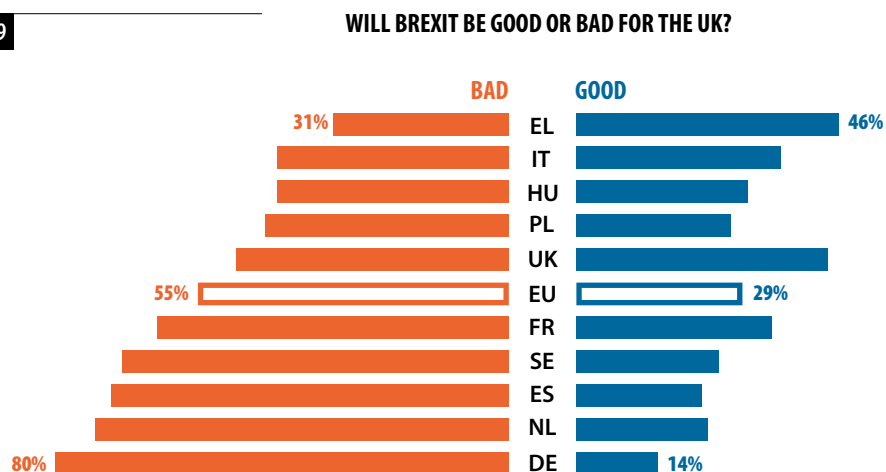
Source: Pew Research Center Spring 2017 Global Attitudes Survey, Q48b

## A WINDOW OF OPPORTUNITY

Adding to all this, some positive economic and political developments are fuelling a new sense of optimism about Europe's future. **Growth rates** in the EU27 (1.9% in 2016) and in the euro area (1.8% in 2016) are higher than in previous years and higher than in the US (1.6% in 2016). The improved economic situation is more solid and sustainable given that it is not built on an accumulation of public and private debt compared to the years before the eruption of the financial crisis. Furthermore, 2017 has not been the political *annus horribilis* that some had predicted: in several European countries, right-wing populist candidates did not do as well as expected and, in some cases, candidates with a clear pro-European vocation emerged victorious.

In **Austria**, Norbert Hofer, the candidate of the right-wing populist FPÖ (Freiheitliche Partei Österreichs), lost the presidential election to the green candidate, Alexander Van der Bellen, who opposed his opponent's xenophobic and anti-refugee agenda and embraced a positive pro-European message. In the **Netherlands**, Geert Wilders and his Party for Freedom (PVV; Partij voor de Vrijheid) were not successful in the March 2017 elections; although the PVV managed to become the second-largest party in the House of Representatives with 20 out of 150 seats (13.1%). Nevertheless, they did worse than many opinion polls had suggested in the months before the elections. In **France**, Emmanuel Macron entered the Elysée Palace after a landslide victory, winning 66% of the vote in the second round of the May 2017 presidential election against Marine Le Pen.

Emmanuel Macron's win exalted the collective self-confidence of a country that has been a "*grande nation lost in Europe*" as the French NPE report states. Within a few months' time, this has already had an impact beyond France's borders, giving Europe a **fresh momentum**, with President Macron and German Chancellor Angela Merkel repeatedly underlining and publicly displaying their commitment to European **unity**, and indicating that Paris and Berlin would intensify their bilateral cooperation and push for additional EU reforms after the **German elections**. But a dark cloud has



French President Emmanuel Macron welcomes German Chancellor Angela Merkel upon her arrival at the Elysee Palace in Paris, 28 August 2017. (LUDOVIC MARIN AFP)

been cast over their ambitions by the success of the right-wing nationalistic *Alternative für Deutschland (AfD)* in the German federal elections (winning almost 13% of the vote) and the perspective of a new, more complex coalition government less willing to support ambitious EU reforms along the lines proposed by President Macron, who re-called his plea to rebuild a "*sovereign, united and democratic Europe*" in a very pro-European speech at the Sorbonne two days after the German elections.

The unifying effect of Brexit and President Trump's election, combined with the mostly encouraging economic and political developments in 2016-17, have renewed confidence in the European project. But it is by no means certain that the EU27 can and will exploit the political **window of opportunity** to give it new momentum. They must tackle the unresolved poly-crisis and deal with the collateral damage caused by it in recent years. They also face a much more **fundamental threat**, which goes well beyond the future of European integration and which must not be underestimated: the danger of a more regressive, nationalistic, closed, illiberal, and authoritarian Europe – a danger that was shared throughout the national and transnational debates held in the framework of the NPE project.

*It is by no means certain that the EU27 can and will exploit the political window of opportunity to give it new momentum.*

# The biggest challenge

The persistent threat
of authoritarian populism

# 1. An unbeaten phenomenon

It is important to step back and pose a fundamental question: what really is the **biggest danger** facing Europe, and what are the factors fuelling it? A plain answer emerged from the national and transnational debates conducted within the NPE framework: as the rising support for authoritarian populists in many countries shows, profound unresolved problems make a more regressive, nationalistic, closed, illiberal and authoritarian Europe a constant danger in the years to come. To set the right priorities at all levels of governance in the fight against this threat, there is a need to thoroughly analyse the 'nature of the beast' by looking at individual cases and longer-term trends, and to understand how those who want to push our societies in an opposite direction can do so.

## NO REASONS TO GIVE AN ALL-CLEAR

There is no reason to herald the arrival of a 'post-populist moment', as some commentators have done over-hastily in the first half of 2017. It would be a mistake to cheer prematurely.

In **Austria**, Alexander Van der Bellen won only a narrow victory to become president and more than a quarter of the electorate voted for the right-wing populist FPÖ in the October 2017 federal elections.

In **France**, things are not as clear-cut as they may seem, with Marine Le Pen winning many more votes than her father back in 2002. There are also huge question marks over whether President Macron will be able to fulfil the high expectations his campaign has generated. If he fails – as his two predecessors did by and large – few would dare to predict how well Marine Le Pen, or another radical candidate, might do in the next presidential election in 2022.

In the **Netherlands**, Geert Wilders and his PVV have succeeded in shaping the public discourse and influencing policymaking on crucial issues.

In **Germany** too, the AfD's anti-euro and anti-migration stance has had a significant influence on the political debate, even if a clear majority of German voters (87%) do not support its radical policy prescriptions.

In the **Czech Republic**, Andrej Babis led his right-wing populist party to a thumping victory in parliamentary elections in October 2017.

Many **mainstream parties** fearful of losing (even more) votes have opted to adapt to or even copy the arguments and policy prescriptions of populist parties. They may not qualify as populists themselves, but they often use the same techniques and borrow some of their populist rivals' arguments and rhetoric.

All of this indicates that the populist phenomenon, and the reasons underlying its success, remains a serious problem. Populism has been a constant companion for decades and there is no reason to believe that the phenomenon has peaked, as commentators may have suggested. Many populist parties have been around for decades and their **share of the vote** has more than doubled since the 1960s, with even bigger increases in their share of seats in European, national or regional parliaments (see figure 10 on page 30).

The surge of populism signals a profound menace that is raising the risk of a more regressive, nationalistic, closed, illiberal, and authoritarian Europe:

► A Europe that is increasingly introverted, protectionist, nationalistic, intolerant, xenophobic, and discriminatory;

► A 'closed Europe' that is backward-looking and more inclined to oppose globalisation, trade and exchange, migration, heterogeneity, cultural diversity, and the principles of an open society;

250 members of the far-right Identitarian movement attend a march in Austria. (JOE KLAMAR AFP)

*Mainstream parties fearful of losing (even more) votes have opted to adapt to or even copy the arguments and policy prescriptions of populist parties.*

► A Europe that risks undermining its own moral values and humanitarian norms by repeating some of the mistakes that nation states have made in the past;

► A Europe in which the influence of those who advocate simplistic solutions to complex issues is spreading, with their political rhetoric and ideology framing or even dominating public discourse;

► A Europe where those who want to close minds and borders win.

This is currently the greatest threat facing us – one that is not confined to Europe, but that is more fundamental to the EU because it remains, in the minds of its citizens, a less resilient construct than nation states.

*Many populist parties have been around for decades and their share of the vote has more than doubled since the 1960s.*

*A divided society is the fertile ground on which extremists and authoritarian populists thrive.*

## POLARISATION OF SOCIETIES

The dominant trend playing into the hands of those who advocate a different polity is the growing and enduring polarisation of our societies. The recent elections in the Netherlands, the Czech Republic, France, Austria, and Germany have shown how deeply divided these countries are between those who favour a **liberal open society** and those who seek **more protectionist and nationalistic policy** responses; between those who support European and global integration and those who wish to regain national sovereignty.

A divided society is the **fertile ground** on which extremists and authoritarian populists thrive. It is the basis upon which they can develop an 'us versus them' logic which undermines cohesion within and between societies. **Polarisation** and **antagonism** are not only in their interests, but are part of their political DNA. They start from the assumption that societies are ultimately separated into antagonistic groups.

They are dividers who actively oppose the notion of a **pluralist society**, portraying themselves as the champions and defenders

of the 'ordinary pure people' against the 'corrupt elite'. The latter, according to populists, represents the self-serving interests of '**the establishment**' and favour 'third' groups such as immigrants over the interests of their 'own people'. Populists claim that they alone represent the neglected but legitimate will of '**the people**' against an immoral establishment, even if they only represent a minority of citizens. They define 'the people' as those who vote for them, and disregard the opinions and values of those who do not. They focus on 'the people's concerns', but cannot and will not respect the common interests of wider segments of society, including the rights of minorities.

They want to establish 'homogeneous' societies and revert to 'national actions' to protect their 'people', although this makes no sense in a world that has long **outstripped** the confines of closed **national frontiers**.

To really understand the success of the populist phenomenon and the challenge it poses to liberal democracy, it is important to always keep in mind that populism is **not an ideology** with a clear policy programme

**Figure 10**

**VOTE SHARE BY PARTY IDEOLOGY**
NATIONAL PARLIAMENT AVERAGE
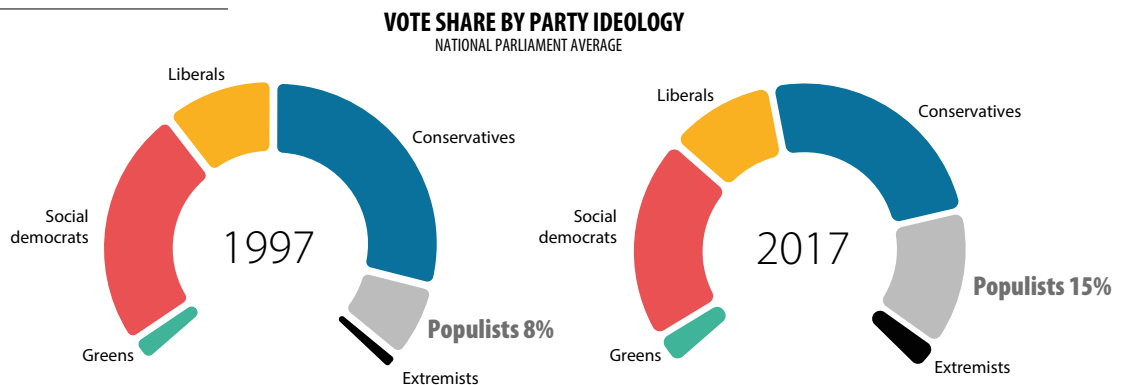


Source: Epicenter Network, Populism Index 2017

and belief system, but rather a **political logic** – a way of thinking and conducting politics – characterised by the notion that society can be separated into antagonistic groups and that the 'old establishment' needs to be overthrown and replaced by the representatives of the 'one virtuous people' – even if the latter is pure fiction.

Unlike socialism, capitalism, fascism, or other major ideologies, populism does not rest on a clearly identifiable political programme and **holistic vision** of how the economy should be organised or how society should be ordered. Consequently, it is important to **avoid simplifications** when analysing the populist phenomenon and to clearly identify what are its underpinning factors.

## THREATS TO LIBERAL DEMOCRACY

Authoritarian populists undermine the **pillars** of our open liberal democracies: the rule of law, checks and balances based on a separation of powers, minority rights, as well as the protection of individual rights and civil liberties. They undermine free and fair elections, although they do not claim to test democracy per se. Rather they try to gain legitimacy by coming to power through elections and once in government, aim to mix democracy with a substantial degree of illiberalism. They advocate an 'illiberal state' which – according to its main champions such as Victor Órban or Recep Tayyip Erdoğan – does not reject liberal democratic values, but does not use them to underpin the way the state is organised.

Like populism, illiberal democracy is not a recent phenomenon. It has been **on the rise for some time**, presenting an alternative to Western liberal pluralist democracies. It not only leads to an erosion of liberties, abuses of power and ethnic as well as national divisions, but also **discredits** the very notion of **democracy**. In the words of Fareed Zakaria written 20 years ago, "*the problems of governance in the 21st century will likely be problems within democracy. This makes them more difficult to handle, wrapped as they are in the mantle of legitimacy. [...] Western liberal democracy might prove to be not the final destination on the democratic road, but just one of many possible exits.*"

Right or left-wing populism becomes particularly dangerous for open liberal societies when it is combined with radical authoritarianism and **nativism**. Authoritarian populists aim to establish a form of governance based on a strong **central power**, which limits political pluralism and undermines the separation of powers and the independence of other authorities besides the executive. Nativists believe that one's

own country and people should come first, and that those who belong to 'the people' should be supported and not 'outsiders' such as immigrants or foreigners.

When authoritarian populists come to power, as they have done in Europe and beyond, they seek to gradually **limit the powers** of pluralist institutions and players such as the courts, media, rival political parties, and critical civil society organisations. They often legitimise this through legal acts which go through democratically elected parliaments. But once they feel strong enough to do so, they often ignore **constitutional limits** on their power and deprive citizens of basic rights and freedoms, arguing that this is necessary to 'liberate' the state from the 'old establishment' and to preserve and defend the collective interests of 'the people'.

Even when in government, they continue to portray themselves and their supporters as **victims**, blaming their shortcomings in power on domestic and/or foreign elites who are allegedly undermining their efforts. This also makes it very difficult to influence developments from outside, as authoritarian illiberal populists will always argue that their critics are '**foreign powers**' intent on undermining their country's sovereignty and keeping the '**old establishment**' in power. The NPE experience has shown how difficult it is to engage in a debate with them as they have on most occasions been unwilling to participate in public and/or off-the-record discussions. Once populists leave office, they once again try to portray themselves as an 'anti-establishment' force, often invoking **conspiracy** theories and claiming that corrupt political and economic elites are acting behind the scenes to undermine systemic change reflecting the will of 'the people'.

*Populism is not an ideology with a clear policy programme and belief system, but rather a political logic – a way of thinking and conducting politics.*

*When authoritarian populists come to power, they seek to gradually limit the powers of pluralist institutions and players such as the courts, media, rival political parties, and critical civil society organisations.*

# 2. The nature of the beast
## Underlying reasons for authoritarian populism

*Authoritarian populism is not the source of the problems facing liberal democracies. It is rather profound unresolved problems that enable populist movements to flourish.*

*Their success is the result of political, socio-economic, and societal challenges which question the prevailing order.*

*Populists make demands that neither they nor mainstream politicians can heed.*

The populist surge did not come out of the blue and it would be a mistake to blame the populists for everything that has happened, as this would divert attention away from the underlying reasons for the phenomenon. Their success is the result of political, socio-economic, and societal challenges which question the **prevailing order**. They succeed when citizens feel the existing situation is at odds with their hopes, fears and concerns.

Their victory signals the defeat of established forces whose credibility has been eroded. They successfully exploit deficiencies in the system to strengthen their influence and power, even if some of their supporters' concerns are not (fully) justified by the actual situation at the national, European or international level.

Put simply, authoritarian populism is a dangerous phenomenon but it is not the source of the problems facing liberal democracies in Europe and beyond. It is rather profound **unresolved problems** that enable populist parties and movements to flourish. But what are pre-conditions for authoritarian populism to succeed?

**Four points** seem particularly significant:

► First, authoritarian populists are successful when they can tap into people's genuine grievances, dissatisfaction with the existing state of affairs and/or fears that things might get worse. Uncertainties and fears about the future play into the hands of authoritarian populists, who give voice to these concerns, frame them in an antagonistic fashion and promise a fundamental upheaval of the current order. From this perspective, they often become **catalysts for political change** as they

heighten the pressure on the 'establishment' to take citizens' concerns more seriously and deliver on their promises. Populists make demands, however, that neither they nor mainstream politicians can heed. They do so deliberately because they do not really want 'the establishment' to succeed, thus allowing them to continue claiming that mainstream parties are not ready to do what it takes to tackle 'the people's concerns'.

► Second, authoritarian populists' successes signal that citizens are deeply dissatisfied with those who have been in power, and feel that the political class has not delivered on its promises, that their concerns have been neglected because 'the establishment' (including politicians and media) is corrupted by elite interests. Populists promise to **(re-)gain control** in the interests of all those who feel that their concerns have been ignored by the 'ruling class'. They use their constant plea to 're-establish' national sovereignty as a central argument to rally support for their cause. In times of profound uncertainty, their promises to fight a 'corrupt system' and do whatever it takes to regain control, even if this means ruling their country with a 'tough hand', become attractive to many voters.

► Third, their success exposes dissatisfaction with the existing state of representative democracy. The sharp decline in trust in national institutions (governments, parliaments and the media) in recent decades plays into their hands. **Dissatisfaction with representative democracy**, as NPE debates have shown, is a sentiment felt all over Europe. It is fuelled by the circumstance that it has become very difficult to distinguish between mainstream parties, who offer very similar programmes. Voters thus feel that they are being offered no alternative.

A man attends an anti-austerity demonstration in Ireland, March 2014. (TATYANA TURCHINA on FLICKR)

Authoritarian populists exploit this by arguing that they do have alternative solutions, even if they are rarely able to offer viable policy prescriptions to solve complex issues.

► Fourth, all this is intensified by a technological revolution which has fundamentally altered the way in which the public receives information in **today's new (social) media world**. Many people are no longer exposed to opposing views and conflicting interpretations of facts. The dissatisfaction of citizens is reinforced in closed echo-chambers, where they receive one-sided information and only communicate with like-minded people.

Populists on all sides of the political spectrum have mastered and exploited **modern communication channels** (such as Facebook, YouTube, Twitter etc.) while mainstream political forces as well as traditional electronic and print media are increasingly failing to reach some parts of society. This marks the end of a balanced public discourse as we have known it, with more people now living in **closed parallel worlds** where they are not confronted with other opinions.

To counter authoritarian populism and the risk of illiberal democracy, mainstream parties must take the concerns of those who support populist parties and movements seriously. The phenomenon can only be effectively countered if the underlying reasons for its appeal and the consequences of illiberal populism are adequately understood; i.e. if we know what is enabling authoritarian populists to exploit the '**us versus them**' logic in more polarised societies.

*This marks the end of a balanced public discourse as we have known it, with more people now living in closed parallel worlds where they are not confronted with other opinions.*

# 3.  The 'winners and losers' of change

*The main dividing line in today's world is between the (potential) 'winners and losers' of change in an age of massive transformation in all spheres of economic, social, and political life.*

*The growing polarisation of our societies is fuelled by numerous insecurities, with many people feeling overwhelmed by the pace of change, making them profoundly anxious about their future.*

The main **dividing line** in today's world is between the (potential) 'winners and losers' of change in an age of massive transformation in all spheres of economic, social, and political life. A division that is witnessed in all countries covered by the NPE project, even in those that have coped with the effects of recent crises.

In one group are those who feel that they are (or may become) **victims** of change and unable to influence the course of events. They are concerned that they might be left behind – even if they are not among the actual losers affected by transformative developments. By appealing to the first group, authoritarian populists gain much greater resonance across populations.

On the other side are those who are (more) **confident** that change is an opportunity from which they have and will continue to profit, given that they feel better equipped to cope with the negative aspects of change and are not doomed to simply accept its consequences.

Some refer to the first group as the 'losers' of **globalisation**. But 'globalisation' is too general a term, and in the minds of most people focuses primarily on the socio-economic aspects and consequences of change. Economic anxieties have been (and will remain) significant.

Non-economic factors, however, play an equally significant role in sharpening the divisions in our societies. This explains why authoritarian populism appeals to many affluent and relatively well-off voters who are concerned about societal and cultural changes. There is thus a need to further deconstruct the nature and nuances of the phenomenon to better understand and address it.

The growing **polarisation** of our societies is fuelled by numerous insecurities, with many people feeling overwhelmed by the pace of change, making them profoundly anxious about their future.

This **fear** of change is a phenomenon that surfaced well before the crisis erupted, but the direct and indirect consequences of Europe's poly-crisis have acted as a catalyst, further heightening feelings of insecurity in many parts of society and playing into the hands of populist dividers who want to push our societies in opposite directions.

So, what are the **major insecurities** fuelling people's discontent and the polarisation of our societies?

Figure 11

## THE EU IN GLOBAL TRADE - EXPORTS
### SHARE IN % OF TOTAL EXPORTS



China
EU28
USA

## THE EU IN GLOBAL GDP
### SHARE IN % OF TOTAL



USA
EU28
China

## THE EU IN GLOBAL TRADE - IMPORTS
### SHARE IN % OF TOTAL IMPORTS



USA
EU28
China

## THE EU POPULATION TREND UNTIL 2050
### NUMBER OF INHABITANTS IN MILLIONS



EU28
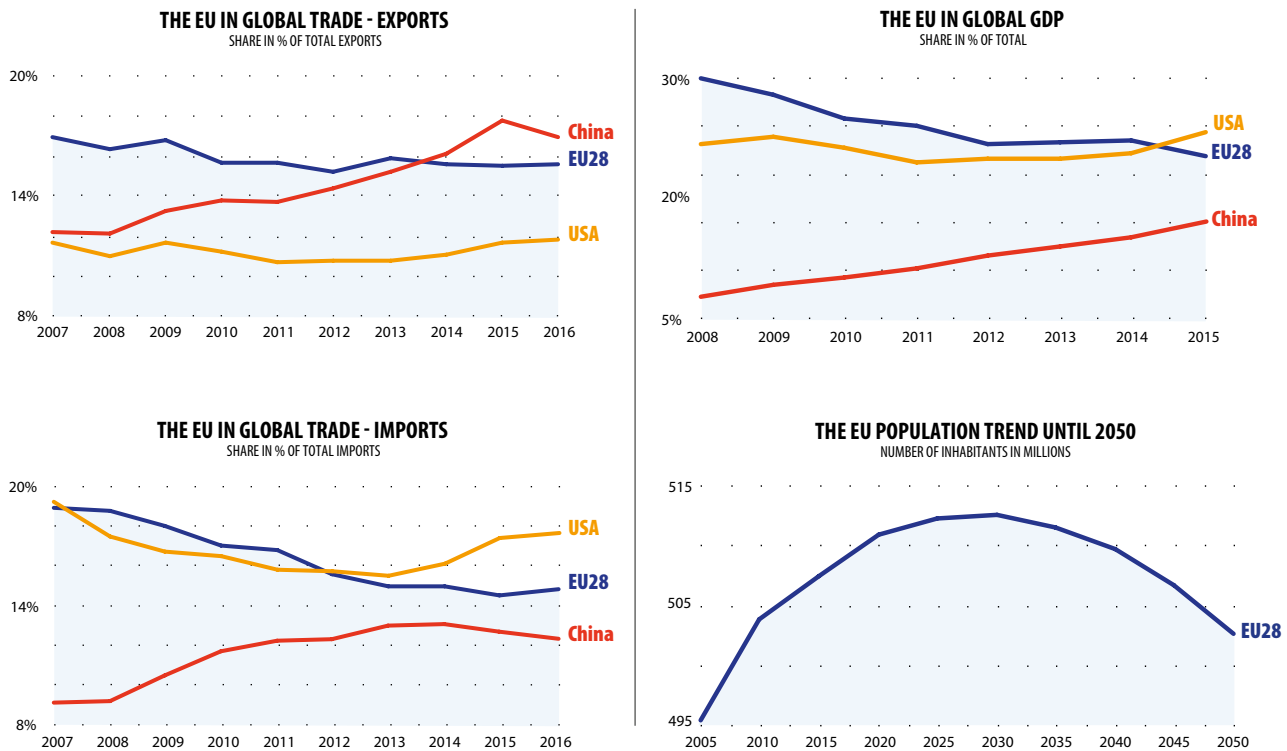
Source: For global trade figures – Eurostat, Share of EU in World trade for GDP figures – United Nations Statistics Division, National Accounts Main Aggregates Database for population figures – United Nations Population Division, Probabilistic Population Projections based on World Population Prospects

## SOCIO-ECONOMIC INSECURITIES AND RISING INEQUALITIES

Many people fear that they will – or may – be negatively affected by changing economic realities. Although European societies are prosperous by global standards and enjoy the highest levels of social protection in the world, many citizens worry that they will be worse off than their parents and that their children may struggle even more.

These insecurities are fuelled by a widening wealth gap between the 'haves' and 'have lesses'; by **job losses** and unstable careers; by flat or falling income levels; by social exclusion and significant risks of **poverty**; by unfair tax practices benefitting large corporations; by pressures on social protection systems; by **unfair** trade practices affecting European industries; by intensifying

**competition** not only in low-skill and low value-added industries but also in economic sectors which were until recently shielded from global competition; and by a general fear of being **left behind** in an increasingly competitive, unfair, and neo-liberal economic environment in which Europe's share of global trade, GDP and population is shrinking dramatically (see figure 11).

Many people no longer believe that change inevitably brings socio-economic benefits and, even if it does, more protection and **stability** are – from their perspective – preferable to greater economic gains. They question whether economic opportunities will be equally shared or only benefit some privileged ranks of society.

*Many people no longer believe that change inevitably brings socio-economic benefits and, even if it does, more protection and stability are – from their perspective – preferable to greater economic gains.*

## CULTURAL AND SOCIETAL INSECURITIES

*There is a deepening divide between what one could call status quo-minded 'conservative traditionalists' and progressive 'cosmopolitan globalists', which is playing into the hands of authoritarian populists.*

*'Citizens of the world' have more in common with other cosmopolitan globalists across national frontiers than with 'parochialists' in their own country.*

A growing number of people fear that traditional values, norms, and **beliefs** are being eroded, prompting concerns about identity among people who do not necessarily feel the negative economic consequences of globalisation. Cultural and societal matters such as multicultural **tolerance**, women's rights, same-sex marriage or gay rights have gained prominence, and are thus also more important as a potential source of division in our societies. There is a deepening divide between what one could call *status quo*-minded 'conservative traditionalists' and progressive 'cosmopolitan globalists', which is playing into the hands of authoritarian populists. The NPE debates revealed that this divide was evident in many member states.

Conservative traditionalists are concerned about rapid change as they feel exposed by the erosion of social, ethical, ethnical, and cultural norms, such as traditional family configurations or religious values. They cherish local and family ties and see **patriotism** as a virtue, believing their country and culture are special and worth defending. They are critical of progressive cosmopolitan elites, who they feel are undermining traditional values, norms, and **customs**. This opposition weakens a shared sense of identity in a progressively unstable **moral** environment. Conservative traditionalists often **fear** those who they perceive to have values different from their own, seeing this as a fundamental **threat** to something they hold dear and wish to defend. They are particularly concerned about the 'overwhelming' volume of immigrants from a different cultural and religious background entering Europe, viewing high

levels of Muslim immigration as a threat to the integrity and moral order of 'Western' societies (see figure 12). As a result, migration issues impacted the Brexit referendum and were central themes in the Austrian, Dutch, French and German elections in 2017.

Conversely, cosmopolitan globalists cherish the benefits of open societies, global mobility, and **multicultural** diversity and exchange. They have moved away from traditional values (family ties, local bonds, religious beliefs) towards more 'secular values'. They are much more tolerant, open to change and progress, supportive of immigration as well as global and regional cooperation, and despise nationalism as an anachronism. They tend to believe that **transnational** entities such as the EU are morally superior to nation states marked by their introverted narrow national interests. They consider the latter as outdated relics that have become irrelevant in an increasingly **interdependent** regional and global environment. They embrace **diversity** and feel as 'citizens of the world' who have more in common with other cosmopolitan globalists across national frontiers than with 'parochialists' in their own country. They tend to be concentrated in big cities, national capitals, university towns, and commercial hubs. In fact, many of them move to **urban** areas, while those with traditional values settle in suburbs and rural areas, which magnifies the cultural and political rift within societies. During the refugee crisis, cosmopolitan globalists were highlighting the need to show solidarity, arguing that Europe had a moral obligation to open its borders and help all of those in need.

**Figure 12**

**THERE ARE SO MANY FOREIGNERS IN OUR COUNTRY, SOMETIMES I FEEL LIKE A STRANGER**
SHARE OF RESPONDENTS THAT DISAGREE AND AGREE



| | DISAGREE | AGREE | |
|---|---|---|---|
| IT | 29% | 71% | |
| DE | | | |
| EU | 50% | 50% | |
| FR | | | |
| ES | | | |
| PL | 81% | 19% | |
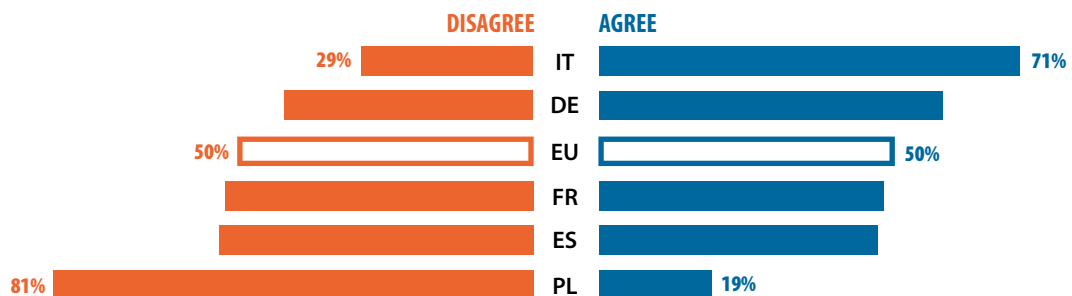
Source: eupinions, a Bertelsmann Stiftung project. For more data see www.eupinions.eu

## GENERATIONAL INSECURITIES

With a widening gap between generations in terms of wealth and prospects, many young Europeans feel doomed to be part of a 'lost generation'. They have little hope for their future based on the disproportionally high levels of enduring **unemployment** among young people. This phenomenon was discussed at length by the Greek, Italian and Portuguese National Reflection Groups.

Many young Europeans get off to a slow start in a closed job market and face the risk of a lifetime of lower earnings. Declining **wages** and/or precarious employment feed into rising levels of poverty and social exclusion. As a result, young people have left (or plan to leave) their home country, resulting in 'brain drain' and creating more **frustration** among those who feel they have little option but to move (see especially the Greek and Portuguese NPE reports).

**Younger** generations throughout the EU often also fear that their societies will not be able to deal with demographic change and that their future will be negatively impacted by a shrinking workforce of younger people having to finance the pensions of a growing elderly population (see figure 13).

Concern about the declining **living standards** that young people will face is also a matter of concern for older generations. A shrinking workforce will also jeopardise countries' ability to maintain the same level of economic growth and social protection, with disproportionate effects on younger generations. At the same time, one can witness that more and more older people are living in poverty, with **elderly** women particularly affected.

*Many young Europeans get off to a slow start in a closed job market and face the risk of a lifetime of lower earnings.*

*A shrinking workforce will also jeopardise countries' ability to maintain the same level of economic growth and social protection, with disproportionate effects on younger generations.*

*People will have to change and constantly adapt their skills to technological innovations and to the future of work, which will focus more and more on output rather than on physical presence in a specific workspace.*

**Figure 13**



WILL YOUNGER GENERATIONS BE BETTER OFF OR WORSE OFF THAN THEIR PARENTS?

Source: You Gov Study for TUI Foundation p. 80, PEW Research Centre, Spring 2017 Global Attidues Survey, Q8
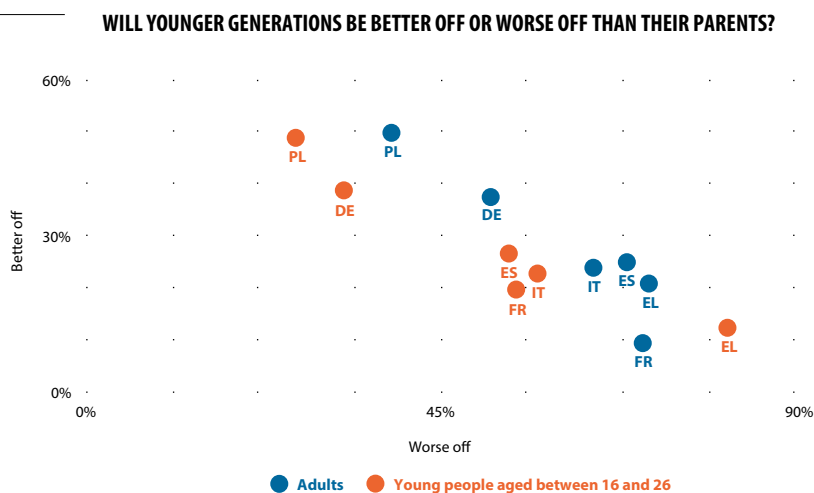
## TECHNOLOGICAL INSECURITIES

Large segments of our societies feel left behind by technological developments and **disruptions** that affect every aspect of their lives. In an era of **rapid change**, many see technological innovations – that they cannot fully comprehend – as a risk, rather than an opportunity from which they can profit in their personal and professional lives. This is a phenomenon that can be experienced in all countries covered by the NPE project. Indeed, new forms of human interaction have been established and entire sectors are being

reshaped in an increasingly **knowledge**- and information-based economy.

Working life is being radically transformed and workers must cope with a much faster pace of innovation. It is very difficult to predict the full impact of **automation** and **artificial intelligence** on our economies and the speed at which progress will occur. But what is certain is that people will have to change and constantly adapt their skills to technological innovations and to the future

**Figure 14**

**DUE TO THE USE OF ROBOTS AND AI, MORE JOBS WILL DISAPPEAR THAN NEW JOBS CREATED**



Source: Special Eurobarometer 460 - Attitudes towards the impact of digitisation and automation on everyday life, 10 May 2017, Question "Do you agree with the following statement?
Due to the use of robots and artificial intelligence, more jobs will disappear than new jobs will be created"
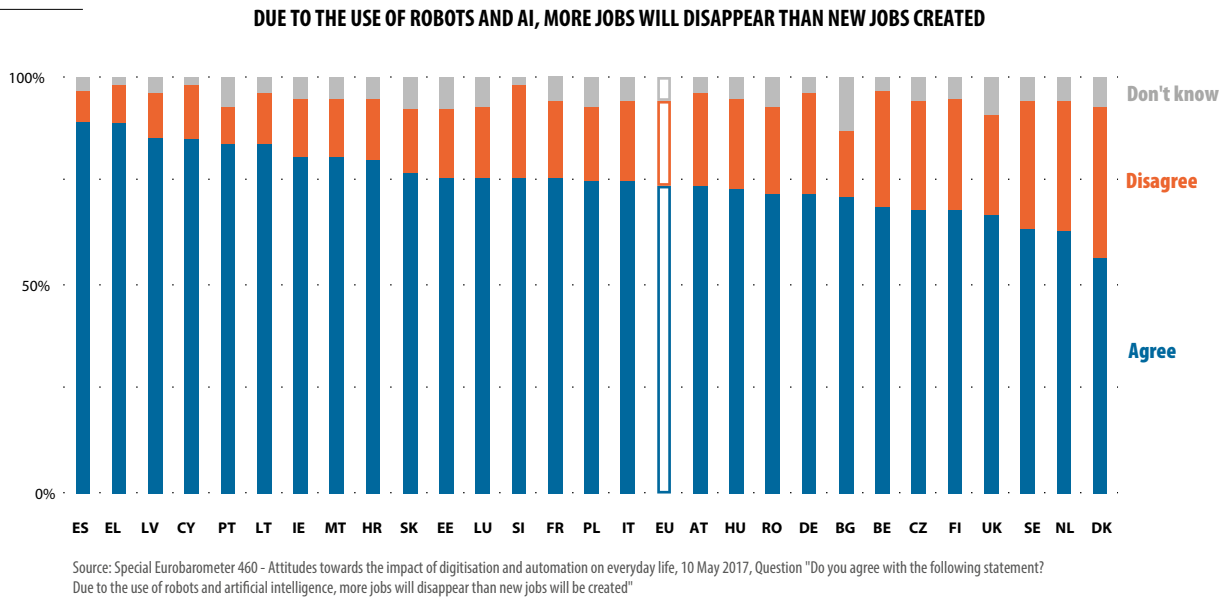
*'Zukunftsangst' and the 'politics of fear' are the result of these multiple insecurities.*

of work, which will focus more and more on output rather than on physical presence in a specific workspace. Workers will need to be more **flexible**: they will no longer have a job for life, but rather up to ten or more jobs in a career.

**Skills** are also becoming paramount, with the demand for skilled labour rising while the number of low-skilled jobs is decreasing. This results in rising wage **inequalities** and

makes it harder for low-skilled workers in low-quality, poorly-paid jobs to advance. All of this is happening at a time when many people feel that public authorities and institutions are incapable of mastering the downsides of technological development, especially in highly sensitive fields such as biogenetics, **cyber security** and **data protection**. Thus, technological change is fuelling insecurities, prompting many to fear that they will be **left behind** (see figure 14).

**MOST IMPORTANT ISSUES FACING THE EU**

**Figure 15**
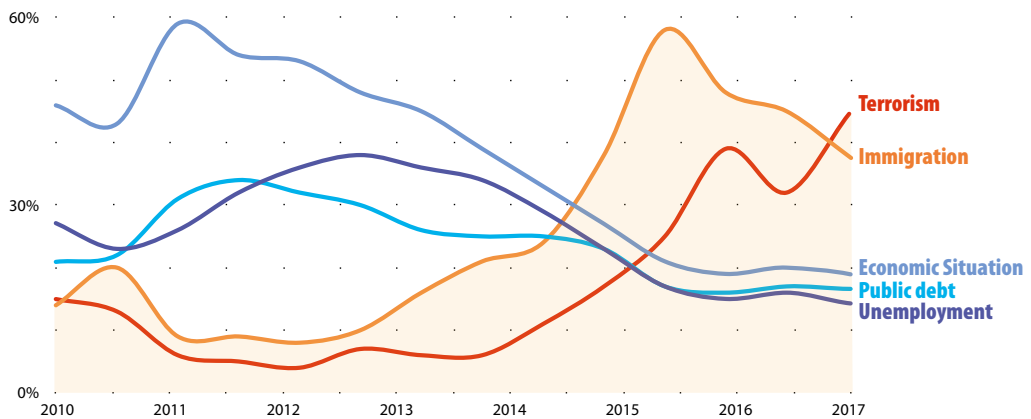


Source: Eurobarometer, question "What do you think are the two most important issues facing the EU at the moment?"

## SECURITY INSECURITIES

For the past 25 years, terrorism, organised crime, regional instabilities, and geopolitical confrontations have given rise to a spiralling number of domestic and international threats. Recent history has demonstrated that security – internal and external – is a precious and vulnerable **public good** that cannot be taken for granted. As a result, our societies have been adapting the way they live, work, travel and enjoy entertainment to cope with these new insecurities. While economic concerns were Europeans' biggest worry a few years ago, the perception of insecurity and high-profile terrorist attacks in recent years have become the **most pressing preoccupations** for Europeans today (see figure 15). Authoritarian populists try to exploit these fears by indicating to potential voters that their country can shield itself from the problems 'out there'. They often employ an isolationist rhetoric suggesting that each country should tackle its own problems alone and let others deal with their own issues without outside interference.

*The 'losers' of change are a very heterogeneous group – as diverse as the insecurities fuelling polarisation.*

## ANTI-ESTABLISHMENT RESENTMENTS

The (potential) 'losers' of change are a very heterogeneous group – as diverse as the insecurities fuelling polarisation. There is not one clearly identifiable set of people with a specific social, educational, ethnic, or cultural background who make up the authoritarian populists' 'constituency'.

There is one thing, however, that unites them: **anti-establishment** sentiments. They feel that traditional political elites are overwhelmed by today's problems; that they do not care about the concerns and anxieties of 'ordinary people' who are suffering from the various insecurities they are experiencing. In their eyes, the elite cannot be trusted as it is ready to **betray** or leave the people behind. Many are angry, searching for an outlet to express that **anger**. In that context, they fall for simplistic and often counter-factual arguments, which are in many cases linked to nostalgic perceptions of the past.

*'Zukunftsangst'* (fear of the future) and the 'politics of fear' are the result of these multiple insecurities, which fuel polarisation in societies and thus play into the hands of authoritarian populists and extremists.

A growing number of citizens and parts of the elite **no longer see the benefits** of cooperation, but are rather increasingly inclined to either withdraw from traditional political processes or 'stand up' and oppose the establishment – a development that can be witnessed in one way or another in all NPE countries. Individualism, tribalism, mutual distrust, and all sorts of '**anti**' **movements** – anti-globalisation, anti-migration, anti-Islam, anti-establishment, anti-EU/euro etc. – thrive and prosper in these conditions.

Growing polarisation undermines political **cohesion** within national societies and between EU countries. Ultimately, it results in a spirit of '**anti-cooperation**' that hampers our ability to forge compromises and reach a consensus at all levels of political life. It thus becomes increasingly difficult to arrive at balanced win-win outcomes while an inability or **unwillingness** to cooperate leads to sub-optimal consequences.

*There is not one clearly identifiable set of people with a specific social, educational, ethnic, or cultural background who make up the authoritarian populists' 'constituency'.*
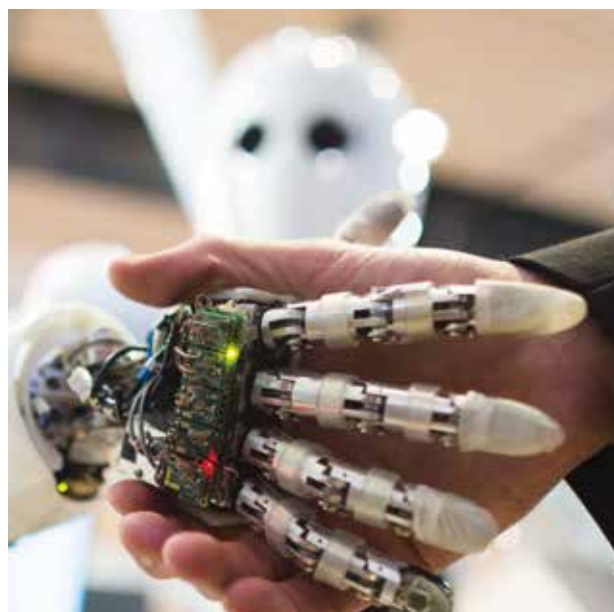


**A visitor shakes hands with AILA, or Artificial Intelligence Lightweight Android, during a demonstration at the German Research Center for Artificial Intelligence GmbH.** (CARSTEN KOALL AFP)

# 4. EUrope's vulnerabilities

*The political establishment is itself hollowing out some of the core values underpinning our liberal democratic system and indirectly legitimising the illiberal agenda of authoritarian populists.*

*The EU has become a popular 'punching bag', an easy target, even though it is not really the central concern of many of its attackers.*

In this climate, traditional political forces on both the left and right are gradually squeezed. The mainstream struggles to present a **credible counter-narrative**.

Many parties feel that to avoid losing even more support among voters, they must change their leaders and/or adapt their political rhetoric and policy choices to take better account of the sentiments of those who are attracted by the **simplistic** rhetoric of populist forces. They want to show that they are listening to citizens' concerns, hoping that voters will not abandon them or will return to them once the situation improves (i.e. the economy recovers or the number of refugees falls). But in many cases, those who turned to anti-establishment populist parties **do not come back**, but rather attribute any improvements in the situation to those political forces who were 'courageous' enough to stand up to traditional elites.

Some mainstream parties go one step further: instead of confronting the flawed and divisive arguments and simplistic rhetoric of authoritarian populists, they adopt them, even though experience has repeatedly shown that voters attracted to populist parties tend to prefer the original to **imitators**. Thus, the political establishment is itself hollowing out some of the core values underpinning our liberal democratic system and indirectly legitimising the illiberal agenda of authoritarian populists.

While the mainstream struggles with this dilemma, the real damage is being done: simplistic rhetoric and radical thinking are infiltrating, guiding or even dominating the political discourse and many arguments previously considered **unthinkable** and unsayable are becoming socially and politically **acceptable**, and proliferate on traditional and new social media. The result, which can be witnessed in most countries covered by the NPE project, is a brutalisation of the debate that further **deepens divisions** within

societies, playing once again into the hands of those who seek to undermine cooperation.

In some cases, authoritarian populists who began their careers on the political fringes are not only framing the debate, but have managed or are on the verge of becoming the 'new mainstream', replacing traditional parties without abandoning their original beliefs or early supporters. By moving into the mainstream, populists expand their political reach and move closer to the centre of power, thereby creating even more headaches for established parties.

None of this is just a European phenomenon. A glance across the Atlantic shows other established **Western democracies** facing similar threats. But Europe is much more vulnerable to this than other political entities: the EU has become a popular 'punching bag', an easy target, even though it is not really the central concern of many of its attackers. For them, stopping or blocking the European construction represents an easy quick win. Authoritarian populist forces throughout the EU use their opposition to the European Union as a vehicle for their ultimate objectives. What they care about is not (predominantly) the state of the Union or the prospects for European integration but rather their **position at home**, and they use fierce criticism of the EU to strengthen their political influence and power at national level.

This also explains why authoritarian populist parties at times adapt their European stance according to the 'mood of the day'. It thus comes as no surprise that some Eurosceptic and populist parties have become less radical about their country's future in the EU or in the Eurozone given the (somewhat) improved public perception about Europe, which can be witnessed since the end of 2016.

There are several reasons why the EU has been easy prey:

► **The EU as an 'agent of unfettered globalisation'.** In the eyes of many Europeans, the European Union is associated with many negative developments related to globalisation that overshadow the positive effects of more integrated markets and international free trade. This phenomenon can be witnessed in almost all NPE countries, as the EU is often equated with a social and environmental '**race to the bottom**', where the interests of financial markets dominate and global companies have the capacity to exploit the system in their favour. In the words of the Finnish NPE report, "*the EU's success in managing the effects of globalisation is directly linked to its legitimacy*." Criticism towards the EU also relates to the circumstance that the Union lacks a strong 'caring dimension' given that social policies are by and large determined in the member states. Because of all this, the EU appears to be '**part of the problem**' and not 'part of the solution', poisoning national debates and public attitudes towards the Union.

► **The EU as a powerless and 'inconsequential' construction.** The European Union is accused of being unable to 'deliver' because it lacks the powers and means required to perform the tasks it is called upon to fulfil. Given the current balance of competences and limited resources available at European level, the Union is **not adequately equipped** to provide (more) effective responses to many of the insecurities mentioned above. In many ways, the criticism of today's EU is the result of an inconsequential construction of Europe, which has led to serious structural flaws in Europe's institutional and legal architecture that



Figure 16

**HOW DEMOCRATIC IS THE EU?**

Source: Chatham House, "The Future of Europe: Comparing Public and Elite Attitudes", 20 June 2017

undermine the Union's credibility. The member states have not equipped the EU with the instruments and powers it would need to effectively counter the major crises and challenges it has and will face in future. Its ability to deliver is further undermined by a widening 'implementation deficit', with member states failing to enact decisions taken collectively at EU level. The impression that the EU is constantly underperforming is further fuelled by national politicians' tendency to blame it for some of their own failings and a reluctance to give it credit for its successes ('scapegoating').

► **The EU as an undemocratic, distant and 'elitist project'.** To many citizens, the European Union appears as something the 'old establishment' created and which acts predominantly in the interests of political and economic elites, not 'ordinary people'. While increasingly aware of the EU's growing impact on their lives, citizens feel that they have little or no influence over the formulation of policies because of the EU's complex, inefficient and often incomprehensible **decision-making** system. This leads to a profound crisis of legitimacy and democratic authority, especially given the circumstance that many people still underestimate the prerogatives of the European

Parliament. Citizens see themselves as the objects, not the subjects, of European policymaking and **voice their discontent** by voting for anti-EU forces in European elections. With respect to the countries covered by the NPE project, this phenomenon is particularly present in Greece and Portugal that have been subject to 'rescue programmes', which have determined crucial policy reforms while lacking (sufficient) democratic scrutiny at the European level.

► **The EU as a common player losing its moral high ground.** The European Union is not (any longer) perceived as 'special', transcending the flaws and mistakes of nation states, i.e. as a supranational entity governed by **higher values** and objectives which are not predominantly guided by narrow national interests and concerns, but rather by common European interests reflecting shared values. This notion of the EU as being unlike nation states came under heightened pressure in the context of the refugee crisis and especially in relation to the EU-Turkey agreement, with a widespread public perception that the Union concluded a deal very much grounded in *Realpolitik*, undermining some of its core principles and human rights values.

# Recommendations

Based on the analysis of the current state of the Union and the identification of the biggest challenge facing the EU and its members, drawn from the debates organised under the auspices of the NPE project, there are three top priorities on Europe's to-do list:

► Repairing the collateral damage caused by the poly-crisis to restore and consolidate trust among member states and regain support from citizens and elites by creating a win-win situation reflecting the distinctive interests, considerations and concerns of governments and citizens;

► Bolstering the EU's defences by overcoming stalemates in crucial areas and making progress on 'unfinished business' to ensure the Union is better equipped to withstand future storms;

► Countering the polarisation of our societies and addressing the multiple insecurities felt by citizens at all levels (European, national, regional and local) to head off the danger of a more regressive, nationalistic, closed, illiberal and authoritarian Europe.

*Without the will to put aside taboos and red lines, nothing substantial will be achieved and the EU's defences may not be strong enough to withstand future crises, much to the delight of Eurosceptic forces, who would then probably attract even more electoral support.*

## WINDOW OF OPPORTUNITY

To achieve all this, the EU and its institutions should exploit the current political window of opportunity, which is **neither very wide** nor expected to remain **open for very long**. It is likely to close by the end of 2018, when the EU institutions' current mandate enters its final stage, attention turns towards the 2019 European Parliament elections and the complex and politically sensitive discussions on the next Multiannual Financial Framework (MFF) move into a decisive phase. Given these time pressures, the next few months will be decisive.

The European Union needs a new sense of direction, even if the recommendations included in this report cannot be taken up immediately. Member states need to create positive momentum as the basis for a '**positive self-fulfilling prophecy**'; to exploit and prolong the current, more optimistic spirit. If they are ready, willing, able and politically courageous enough to seize the moment, there is potential for a sustainable 'EU renaissance'.

## A WIN-WIN PACKAGE DEAL

The EU27 could use this momentum to demonstrate to European citizens that the Union is responsive to their needs, desires and concerns. They could also help to **re-energise the European** project by showing that the Union can protect its members and citizens from future storms in an uncertain environment. Most importantly, they could show that a nationalistic, xenophobic and closed Europe is not an adequate response to the challenges of an increasingly complex and interdependent European and global environment.

Without the **will** to put aside taboos and red lines, nothing substantial will be achieved and the EU's defences may not be strong

enough to withstand future crises, much to the delight of Eurosceptic forces, who would then probably attract even more electoral support. So, what should be done?

This report suggests that two things are paramount. First, the EU and its members should **agree on an ambitious but realistic win-win package deal** involving action in three crucial areas: economic and social affairs, migration and security. Second, there is a need to **fight the danger of a more regressive, nationalistic, closed, illiberal and authoritarian Europe** by addressing the fundamental factors fuelling the threat of authoritarian populism at European, national, regional and local level.

# A Win-Win Package Deal for the EU27

There is no need for yet another 'more or less' Europe debate. Such discussions only lead to stalemate. Further teleological debates about the EU's ultimate destination (*finalité*) will also lead it nowhere, given the many diverse opinions on Europe's long-term future. What is needed is a more concrete debate focused on specifics and subsequent agreement on what should be done in the short to medium term.

## FOUR PRINCIPLES

Reflecting the national and transnational discussions held in the framework of the NPE project, this report argues that the elaboration of an EU27 package deal must be guided by some major **principles**:

► Standstill (let alone regression) is not an option. Without progress in key areas, the EU27 will not be able to sustainably overcome the poly-crisis, prepare the Union for future crises, and enable it to meet current and future challenges in an increasingly interdependent European and global environment;

► Focus on delivery. Citizens want the EU to concentrate on tangible outcomes and not focus on yet another institutional debate, although some of the identified reforms might require limited institutional adaptations;

► Beware of the existing 'dogma of realism'. Member states and citizens want the EU to deliver, but are not ready for a major (institutional) overhaul. The EU27 must be ambitiously realistic or realistically ambitious. It should not aim for a major treaty change or a constitutional convention, at least not now. The clear majority of national political elites and citizens cherish the benefits of EU membership, but are reluctant to pool core features of national sovereignty at European level. In other words, this exercise is not about achieving a final decisive breakthrough, but rather about aiming for the 'highest possible common denominator' while considering the realities of the current situation;

► Avoid symbolism and lip service. The envisaged bargain should not duck tough issues. Genuine compromise, with give-and-take on all sides, is needed to move things forward. Symbolic reforms and innovations, like some of those we have seen in the past, could backfire if expectations are created which the EU and its members are unable or unwilling to fulfil.

## RE-ENERGISING EUROPE

*A win-win package deal will not only help the EU to deliver, but will also help to restore trust and public support.*

While acknowledging that the EU will have to constantly reform itself in light of developments inside and outside Europe, the deal envisaged in this report concentrates on the immediate future. The EU and its members should agree on more immediate reforms and innovations now and begin implementing them, instead of postponing action to some indeterminate point in the future.

A win-win package deal will not only help the EU to deliver, but will also help to **restore trust and public support**, which is a prerequisite for more fundamental reform efforts in the future, when more substantial institutional innovations and EU treaty change will be needed that will have to be ratified by all member states, in some cases through referenda.

Explicitly setting out the overall logic, direction and potential ingredients of a win-win package across various dimensions might also help to **promote national and transnational political debates** on the future of Europe, which is a central aspiration of the NPE project. Such debates are vital, given that a comprehensive agreement on moves towards **deeper cooperation and integration** will involve tough political choices, which can no longer be made exclusively behind closed doors. A debate and the greater understanding among member states that this deal could foster might also help to steer the upcoming discussions on the next Multiannual Financial Framework (MFF) by identifying priorities and overcoming major differences.

## PRAGMATIC AND AMBITIOUS

The package deal described in this report does not pretend to be a 'grand bargain' aspiring to solve all problems in one go with one giant 'qualitative leap' forward. It is less 'grand' in its objective. It rather aspires to be a pragmatic but ambitious deal aimed at achieving progress in the current circumstances by overcoming stalemates and taking a step in the right direction.

The bargain outlined in this report does not seek to reinvent the wheel. In most cases, it includes proposals that have already been floated or tabled. What is most innovative is that it aims to elaborate a complex win-win **bargain across various dimensions** reflecting diverging positions among and inside member states, in an attempt to unlock progress going far beyond the lowest common denominator.



Room hosting the meetings of the European Council, in the Europa Building, Brussels, inaugurated in December 2016. (CREDIT EUROPEAN UNION)

## THREE DIMENSIONS FOR ONE DEAL

To make the EU 'storm-proof', to restore and consolidate trust among the member states and between national capitals and EU institutions, and to regain the confidence of citizens, the EU27 should agree on a concrete **win-win package deal** that reflects the distinctive interests and considerations of all member states and their citizens.

Given the concerns of less influential EU countries about the dominance of a few big players, the proposed bargain takes everyone's preoccupations into account and is not limited to the concerns of the strongest countries or constrained by what the most influential member states are ready to agree on. **Consensus among the EU27** will have to balance the distinctive concerns and aspirations of member states and citizens in selective areas. Some are more anxious about the economy and social issues, while others put more emphasis on issues related to migration or internal and external security.

It is therefore important to include **all three dimensions in a win-win package deal**, involving intra- and cross-dimensional compromises that can help to overcome some of the major divisions between different camps both within and among

member states. Enlarging the reform agenda beyond just one specific field can also help to identify wider compromises by overcoming stalemates and red lines in other policy areas which have previously proven unsurmountable. One example is future EMU reform, where member states have not been ready to take up some of the proposals in the Four Presidents or Five Presidents reports. Attempting to forge a compromise among the EU27 in other areas of concern could help to push negotiations on those ideas forward.

The subsequent sections of this report lays out the rationale, basic objectives and concrete elements to be included in a bargain on each of the three dimensions. It builds on the discussions conducted in the framework of the NPE project since 2013. Obviously, the outcome of negotiations among the EU27 would lead to a distinct compromise. Hence, the components of a potential bargain outlined in the next sections are not exhaustive, but rather indicate the direction of reforms and innovations necessary to bridge the gaps between and within the EU27. The overall aim is thus to show that **it is possible to construct a win-win package deal**.

*The bargain outlined in this report does not seek to reinvent the wheel.*

*Enlarging the reform agenda beyond just one specific field can also help to identify wider compromises by overcoming stalemates and red lines in other policy areas which have previously proven unsurmountable.*

# A WIN-WIN PACKAGE DEAL / THE ECONOMIC AND SOCIAL DIMENSION

The bargain needs to strike a fair balance between the 'responsibility and competitiveness' camp and the 'solidarity and caring' camp while preserving the principle of unity among the EU27 and the members of the euro area.

## MORE SOLIDARITY
### BETWEEN MEMBER STATES

- Complete the Banking Union through the gradual introduction of a European Deposit Insurance Scheme
- Reduce the burden of non-performing loans on banks
- Enable the European Stability Mechanism to function as a credible backstop to the Single Resolution Fund
- Establish a crisis shock-absorption mechanism through complementary European Unemployment Reinsurance Scheme and/or 'rainy day' fund
- Exclude some public investment from a country's deficit calculation
- Stimulate investment and demand in EU countries with excessive surpluses
- Support citizens disproportionately affected by major structural reforms
- Intensify the fight against tax evasion and avoidance
- Safeguard the level playing-field within the Single Market
- Introduce concrete measures to implement the European Pillar of Social Rights

## FEWER RISKS AND MORE DISCIPLINE
### ACROSS THE UNION

- Speed up the Capital Markets Union
- Enforce the no-bailout rule through the introduction of a credible debt restructuring mechanism
- Reduce regulatory uncertainties and hurdles undermining cross-border investment
- Enforce the Fiscal Compact and the Stability and Growth Pact rules and obligations
- Establish contractual Reform and Investment Agreements
- Reinforce the links between national reforms and EU funding
- Scale up technical assistance programmes
- Complete the Single Market to enhance Europe's global competitiveness
- Speed up work on more comprehensive free trade agreements

## UNITY BETWEEN EURO & NON-EURO AREA

- Avoid any kind of discrimination based on the euro
- Inform countries outside the euro area about major euro-area developments
- Do not create barriers to future membership of the euro area
- Open the new forms of cooperation among euro-area members to non-euro countries
- Do not undermine the role of existing supranational institutions by creating parallel structures

# 1. The economic and social dimension
## Balancing responsibility & competitiveness and solidarity & caring

The national and transnational discussions in the context of the NPE project have made it clear that further action is needed in the economic and social dimension. The European Union and its members have made some progress in recent years and the socio-economic situation has improved, but more needs to be done to equip it to **withstand future storms**.

### RATIONALE

To overcome stalemates in key areas, a package deal including tangible measures and innovations that respect the limits of the **EU Treaties** will have to reflect the interests and concerns of those who put stronger emphasis on 'responsibility and competitiveness' and those who attach more importance to 'solidarity and caring' aspects – while preserving the principle of unity among the EU27 and members of the euro area, even though **differentiation** will remain an indispensable feature of European integration.

► Those who emphasise responsibility and competitiveness want a stricter implementation of rules, re-affirmation of the '**no bail-out**' principle, a reduction of risks, more market discipline, and heightened pressure on EU countries to implement long-overdue structural reforms ('do their homework'). This, they argue, would not only improve the economic competitiveness of individual countries, but would also

strengthen the Union's overall position in an increasingly competitive global economic environment.

► Those who stress the importance of solidarity and caring aspects ('we are all in this together') want more flexible and smarter rules, common risk-sharing instruments, more EU support, more incentives for national reform efforts and more fiscal room for public investment to reduce macroeconomic imbalances. They also seek to bolster the Union's caring dimension by reinforcing its ability to establish minimum social standards, even though social policies are ultimately determined at national level.

► The NPE discussions have also revealed mounting concerns in countries that have not (yet) adopted the euro of being discriminated and disadvantaged by additional EMU reforms and pushed further into the EU's political periphery – a prospect most people in these countries want to avoid.

*The package deal is designed to secure the stability of the euro, spur sustainable growth and reboot the process of economic convergence, while strengthening the Union's 'protective arm' and preserving unity among the EU27 and the members of the euro area.*

*The institutional system underpinning European economic governance lacks coherence and democratic scrutiny – especially when the Eurogroup takes decisions on national budgets and reforms behind closed doors.*

*Economic convergence would boost overall growth, ascertain political stability within and among member states, and make it easier for the ECB to apply a single monetary policy to the entire euro area*

*Future reforms should neither disadvantage non-euro countries nor lead to any kind of differentiation between countries that have adopted the euro.*

## OBJECTIVES

The different camps have set multiple **red lines** when it comes to prospective reforms. Recent experience has shown how difficult it is to bridge these differences, especially in relation to EMU. A win-win package deal among the EU27 would thus consider **three equally significant objectives**:

► Securing the stability of the euro. Much has been achieved in recent years, but more needs to be done. The ECB cannot play the role of '**saviour of last resort**' indefinitely and the disagreements which have prevented any further deepening of EMU must be overcome to further strengthen the euro's defences. The EU needs to prepare for the moment when the ECB significantly reduces and eventually terminates its quantitative easing programme. The final stage of EMU cannot be reached in one giant step, but the complacency of recent years needs to be replaced with an ambitious but pragmatic agreement on a gradual implementation of tangible reforms.

► Spurring sustainable growth and re-energising economic convergence while strengthening the EU's 'protective arm'. Despite the recent improvement in Europe's economic situation, more needs to be done

to consolidate sustainable growth and reverse the widening gap between member states since the outbreak of the 'great crisis'. Economic convergence would boost overall **growth**, ascertain political stability within and among member states, and make it easier for the ECB to apply a single monetary policy to the entire euro area, moving away from near-zero or negative **interest rates**, which have become a heavy burden on savers. It would also reduce the risk of 'cross-country' **contagion**, thus delivering a win-win for all member states. The Union must also respond to growing social inequalities and injustice within societies as well as to fears of the negative impact of changing socio-economic realities.

► Preserving unity among the EU27 and Euro-19. Future reforms should neither disadvantage non-euro countries nor lead to any kind of differentiation between countries that have adopted the euro. This does not mean that the EU cannot advance in some important areas through differentiated integration, but future initiatives should clearly avoid the creation of a closed '**core Europe**' that would effectively result in diverse classes of EU membership (see also separate part on differentiated integration on page 72).

## KEY ELEMENTS

To achieve the above objectives, the EU27 could agree on the following concrete reforms as part of a potential package deal in the economic and social dimension:

### 1. Strengthening the resilience of the financial sector

Despite efforts to create a **Banking Union** and a **Capital Markets Union**, Europe's financial system remains highly fragmented and vulnerable. The link between sovereigns and banks ('doom loop') has not been broken. Difficulties in the sovereign debt market can negatively affect the financial sector and thus the 'real' economy.

**Taxpayers** are still being asked to save ailing financial institutions, with private debt morphing into public debt. Contagion

within the sector is still possible, and non-performing loans are a heavy burden on the balance sheets of banks in many countries. Further action is therefore needed to strengthen the resilience of Europe's financial sector. Actions could include:

► Completing the Banking Union through the gradual introduction of a European Deposit Insurance Scheme (EDIS), to equally protect bank deposits up to EUR 100,000 in all member states and prevent excess capital inflows to stronger economies. A next step could include **risk-sharing** among national deposit insurance schemes with the EDIS providing loans to national insurers if they have used up their financial resources.

► Speeding up the Capital Markets Union to further integrate capital markets in Europe and provide more innovative, sustainable and diversified sources of funding for households

and businesses. This would help end Europe's excessive reliance on bank-based financial systems, improve risk-sharing and bolster the capacity of financial markets to absorb future shocks.

► **Reducing the burden of non-performing loans on banks**, which are destabilising the financial sector, inhibiting banks from providing liquidity to the 'real economy', and making it difficult to reach a compromise on the EDIS. This could involve creating an 'Asset Management Company' as a European 'bad bank' able to independently buy non-performing loans from financial institutions.

► **Enabling the European Stability Mechanism (ESM) to function as a credible backstop to the Single Resolution Fund (SRF)** in the form of a credit line for the SRF. This would require a change to the ESM Treaty.

## 2. Enforcing stricter rules and more institutional coherence

Many fiscal rules set at European level are being interpreted with great flexibility. This may be necessary at times to spur growth, but tests the credibility and predictability of a rule-based system. The no-bailout principle is *de facto* undermined; the Stability and Growth Pact and Fiscal Compact rules are thrown into doubt; and the institutional system underpinning European economic governance lacks coherence and democratic scrutiny – especially when the Eurogroup takes decisions on national budgets and reforms behind closed doors. There is thus a need to apply the rules more strictly, streamline the institutional system at European level, and strengthen the involvement of national institutions. Actions could include:

► **Enforcing the no-bailout principle** to reduce the danger of moral hazard and heighten market pressures on countries that do not abide by rules agreed at the European level. This would require a credible '**debt restructuring mechanism**' to ensure an orderly sovereign default if countries cannot return to sustainable public debt levels. The ESM could play a role in assessing when sovereign debtors have become insolvent, how much the debt must be reduced and what future primary surpluses will be required to reach debt sustainability.

► **Ensuring that all member states comply with the Stability and Growth Pact and Fiscal Compact**, with more transparent rules to ensure a level playing field for all member states. The ESM could play a role, alongside the Commission, in monitoring country risks that could endanger the euro's overall stability, yet without undermining the prerogatives of the Commission as the '**guardian of the Treaties'**. Any future European Monetary Fund should also be accountable to the European Parliament.

► **Making the European Commissioner for Economic and Financial Affairs the President of the Eurogroup** as well to ensure more institutional coherence, improve democratic legitimacy – as s/he would be accountable to the European Parliament – and help to strengthen the euro area's representation in international fora (e.g. G7, G20, International Monetary Fund and World Bank).

► **Strengthening the involvement of national parliaments in the European Semester** to boost national ownership by fostering parliamentary debates on national reform programme priorities. These debates should also involve the Economic and Financial Affairs Commissioner.

## 3. Preparing the EU for large asymmetric shocks

The Union still cannot provide stabilisation measures when responding to countercyclical crises in individual member states. A crisis shock-absorption mechanism is needed to provide temporary financial support to EU countries when they are hit by major crises that could spill over into other member states. Actions could include:

► **Creating a complementary European Unemployment Reinsurance Scheme (EURS)** to automatically support national insurance schemes when unemployment levels rise rapidly. The EURS could be financed through a small share of existing contributions from employers and employees.

► **Creating a 'rainy day fund'** to cushion large country-specific economic shocks on a case-by-case basis. Payments would be limited to accumulated contributions from national budgets and would have to be paid back once the crisis has passed.

*A European Deposit Insurance Scheme (EDIS) would protect bank deposits up to €100,000 in all member states and prevent excess capital inflows to stronger economies.*

*The institutional system underpinning European economic governance lacks coherence and democratic scrutiny – especially when the Eurogroup takes decisions on national budgets and reforms behind closed doors.*

*The Union still cannot provide stabilisation measures when responding to countercyclical crises in individual member states.*

### 4. Creating more room for public and private investment

Public and private investment are still below pre-crisis levels. More investment in innovation, research and development, education and skills would support both the supply and demand sides of European economies. Countries with (very) limited fiscal space need a significant surge in investment to bolster convergence. Furthermore, increasing investment in member states that have enough room to raise public spending would help to boost Europe's growth. Actions could include:

► **Reducing regulatory uncertainties and hurdles undermining cross-border investment** by further harmonising insolvency rules, implementing a Common Consolidated Corporate Tax Base (CCCTB), supporting more efficiency in national judicial systems, and building up the EU's capacity to monitor fiscal fraud and corruption.

► **Introducing a 'golden rule' allowing some public investment to be excluded from a country's deficit calculation** based on an independent assessment of those investments and in accordance with clear rules. Defence expenditures conducted in the framework of PESCO could also be included. In return, fiscal rules would be applied more strictly to all remaining public spending, including the use of sanctions when necessary.

► **Stimulating investment and demand in EU countries with an excessive balance of payments surpluses**, in line with the procedures on macroeconomic imbalances foreseen in the Six-Pack.

► **Establishing a European Investment Protection Scheme (EIPS)** to act as a buffer for public investment during severe economic downturns in individual countries, and a **European Investment Guarantee Scheme** (EIGS) to reduce the risks for private investors in crisis-hit countries.

### 5. Promoting Europe's competitiveness through structural reforms and the completion of the Single Market

Although European economies have recovered in recent years, the gap has widened among member states. Economic adjustment has been highly asymmetric, with the burden falling almost exclusively on deficit countries in Europe's periphery, who have had to undergo painful internal devaluations to curtail their deficits rapidly. They still need to implement demanding structural reforms. This is primarily a matter for them, but more can be done at EU level to promote competitiveness by supporting and incentivising national reform programmes and reducing economic barriers. Actions could include:

► **Establishing contractual 'Reform and Investment Agreements'** between member states and the Council based on major reform priorities identified in the country-specific recommendations within the European Semester framework, to instil discipline and boost national ownership of reforms in return for financial support proportionate to the effort made by those countries. The Commission should in cooperation with the Council oversee the implementation of these Agreements and report to the European Parliament. Financial support could be provided either through a separate fiscal capacity financed via national contributions or through a separate line in the EU budget scrutinised by MEPs coming from member states that have agreed to the introduction of Reform and Investment Agreements.

► **Reinforcing links between national reforms and EU funding** by providing extra resources to support national reform programmes, with a focus on public social investment in areas such as education, re-skilling or early childcare (using funds partially taken from the Common Agricultural Policy).

► **Extending and developing technical assistance programmes** run by the Commission through the Structural Reform Support Service or provided by national, regional and local administrations.

*Economic adjustment has been highly asymmetric, with the burden falling almost exclusively on deficit countries in Europe's periphery, who have had to undergo painful internal devaluations to curtail their deficits rapidly.*

► Completing the Single Market to boost Europe's global competitiveness, especially in relation to the Digital Single Market, Energy Union and Capital Markets Union, while stepping up the fight against social, tax and environmental dumping and ensuring that the four freedoms are not abused.

► Speeding up completion of additional comprehensive free trade agreements with Mexico, South American countries, Australia and New Zealand, while providing evidence of the benefits of such agreements to avoid the EU being perceived as an 'agent of unfettered globalisation'.

## 6. Bolstering the 'protective arm' of the European Union

Rising inequalities undermine social contracts and can endanger social peace both within countries and between generations. Anxieties and despair are fuelled by the downsides of economic transformation, tax dumping and tax evasion, unfair trade practices, and fears of being left behind in an increasingly competitive economic environment in which Europe's share of global trade, GDP and population is shrinking. The EU should boost its 'protective arm' to counter its image as an institution fostering a **social race to the bottom**, where the interests of influential market players dominate over the socio-economic concerns of citizens. Actions could include:

► Supporting those in society disproportionately affected by the impact of major structural reforms. In the words of the German NPE report, "*structural reforms should be better prioritised and take into consideration whether and possibly how to compensate losers.*" Temporary and complementary support provided through the EU budget could, for example, help to smoothen out **pension losses** from severe pension cuts or co-finance the transition to '**flexicurity**' mechanisms by providing partial funding to cover health and/or social security costs.

► Intensifying the fight against tax evasion and ensuring taxes are paid where companies make their profits with sharper tools to combat abuses, fairer taxes for the digital industry, and requiring multinational companies to publish tax information on a country-by-country basis.

► Safeguarding the level playing field within the Single Market by taking action compatible with WTO rules to pursue the EU's legitimate interests when trading with third countries who already use similar means such as investment controls, state aids or strategic procurement.

► Implementing measures to operationalise the European Pillar of Social Rights through, for example, the introduction of minimum wage regimes in all EU countries.

*The EU should boost its 'protective arm' to counter its image as an institution fostering a social race to the bottom, where the interests of influential market players dominate over the socio-economic concerns of citizens.*

A broker speaks on the telephone at the stock exchange in Frankfurt am Main, Germany, in October 2017.
(DANIEL ROLAND AFP)

*Drawing structural distinctions between euro and non-euro countries undermines cohesion, negatively affecting the future of both the EMU and cooperation in other policy areas.*

## 7. Avoiding discrimination based on the euro

The European Union must ensure that non-euro countries are not negatively affected by additional EMU reforms. The deeper cooperation needed between countries that already share the same currency, which lies at the heart of the European project, can cause frictions between the 'ins', the 'pre-ins' and the 'outs'. To avoid discrimination, **four principles** must be applied:

► Openness. New forms of cooperation between the members of the euro area should always be open to non-euro countries;

► Information. Countries outside the euro area should be kept constantly informed about major euro-area developments;

► No duplication. EU institutions should be fully involved and no parallel institutional structures should be created which could undermine the role of existing supranational institutions;

► No barriers. Insurmountable barriers to future membership of the euro area for current 'pre-ins' and 'outs' must be avoided. It must remain open and joining the club should be actively supported and encouraged, whenever countries fulfil the accession criteria.

Drawing structural distinctions between euro and non-euro countries undermines cohesion, negatively affecting the future of both the EMU and cooperation in other policy areas. Interdependence between countries sharing the same currency has, in the most difficult moments of the euro crisis, proven to be a strong glue. Greater unity and interdependence should thus be in the interests of all member states and the EU. Creating a 'core Europe' against the will of those left behind would lead to the emergence of new dividing lines within the European Union.

German Finance Minister Wolfgang Schäuble talks with President of the Eurogroup Jeroen Dijsselbloem, Spanish Economy Minister Luis de Guindos, Italian Finance Minister Pier Carlo Padoan, and European Commissioner for Economic and Financial Affairs, Taxation and Customs Pierre Moscovici during a Eurogroup meeting in Luxembourg, 9 October 2017. (JOHN THYS AFP)

## THE BARGAIN

The above components of a potential package deal in the economic and social dimension aim to strike an ambitious but realistic balance between the diverse interests and concerns within and among the EU27. They are designed to secure the stability of the euro, spur sustainable growth and re-energise economic convergence, while strengthening the Union's 'protective arm' and preserving the principle of unity among the EU27 and the members of the euro area.

► For those in the 'responsibility and competitiveness' camp who want a stricter implementation of rules, re-affirmation of the '**no bail-out**' principle, a reduction of risks, more market discipline, and heightened pressure on EU countries to implement long-overdue structural reforms, the above bargain includes the following key actions: speeding up the Capital Markets Union; enforcing the no-bailout principle through the setting up of a credible debt restructuring mechanism; ensuring that all member states comply with the **Stability and Growth Pact** and the **Fiscal Compact** with more transparent rules to ensure a level playing field for all member states; reducing regulatory uncertainties and hurdles undermining cross-border investment; establishing contractual Reform and Investment Agreements; reinforcing the links between national reforms and EU funding; further extending and developing technical assistance programmes; completing the **Single Market** to enhance Europe's global competitiveness; and speeding up work on more comprehensive free trade agreements.

For this group, it is equally important that the package deal does not include certain measures that they have clearly defined as red lines: no permanent transfer union; no mutualisation of debt; no issuance of common debt with joint liability of euro countries; no unconditional support which could increase the danger of moral hazard; and no additional fully-fledged euro area budget for deep symmetric crises/shocks.

► For those in the 'solidarity and caring' camp who want more flexible and smarter rules with greater discretion, the direct or indirect introduction of common risk-sharing instruments, more support from the European level for national reform efforts,



**Mario Draghi, President of the European Central Bank, during a press conference.** (Daniel Roland AFP)

more fiscal room for public investment, actions to reduce macroeconomic imbalances, and a stronger EU caring dimension, the above bargain includes the following key actions: completing the Banking Union by gradually introducing a **European Deposit Insurance Scheme**; taking steps to reduce the burden on banks from non-performing loans; enabling the **European Stability Mechanism** to function as a credible backstop to the Single Resolution Fund; establishing a crisis shock-absorption mechanism for large asymmetric shocks with a complementary European Unemployment Reinsurance Scheme and/or a '**rainy day fund**'; introducing a '**golden rule**' allowing for public investment to be excluded from a country's deficit calculation; stimulating investment and demand in EU countries with excessive surpluses; supporting those in society disproportionately affected by major structural reforms; intensifying the fight against tax evasion and avoidance; safeguarding the level-playing field within the Single Market; and implementing measures to operationalise the European Pillar of Social Rights.

► For non-euro countries which fear that further EMU reforms might leave them at a disadvantage and push them further into the EU's periphery, the above bargain guarantees adherence to a number of key principles, to avoid future reforms discriminating against those outside the common currency area.

*A bargain in the economic and social dimension needs to strike a fair balance between the 'responsibility and competitiveness' camp and the 'solidarity and caring' camp while preserving the principle of unity among the EU27 and the members of the euro area.*

# A WIN-WIN PACKAGE DEAL / THE MIGRATION DIMENSION

The bargain needs to reflect security and solidarity concerns to enhance the notion of a protective Europe while avoiding the pitfalls of a 'fortress' Europe and preventing a further unravelling of Schengen.

## SOLIDARITY WITH COUNTRIES OF ORIGIN & TRANSIT

- Boost (financial) support for Africa
- Establish a permanent European resettlement framework
- Create legal avenues of (economic) migration
- Increase financial support to improve the conditions for migrants/refugees in Libya
- Reform EU policies that negatively impact countries of origin and transit
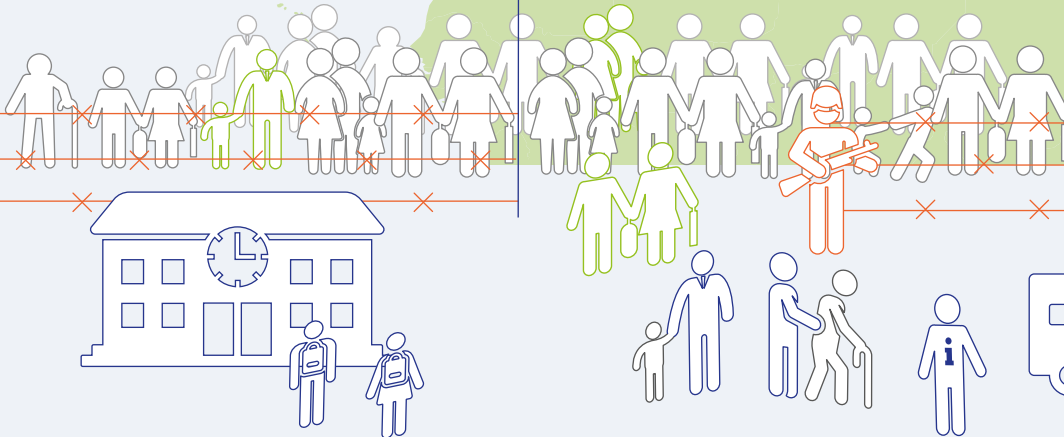
## MEASURES TO COUNTER INSECURITY

- Increase and accelerate returns
- Speed up national asylum procedures
- Establish asylum processing centres in major transit countries to reduce irregular flows

## SOLIDARITY BETWEEN MEMBER STATES

- Create a permanent relocation mechanism
- Make asylum recognition rates converge across member states
- Incentivise municipalities to welcome refugees or asylum-seekers
- Establish asylum-seeker reception centres in Central and Eastern European countries
- Create an asylum-seeker 'exchange mechanism'
- Better inform refugees about welcome conditions in EU member states

# 2. The migration dimension
## A balanced human mobility strategy

The NPE debates have clearly shown that migration needs to be a core dimension of any win-win package deal on the future of Europe. Following the crisis of 2015-16, asylum, migration and refugee issues remain high on the agenda, but efforts to strike a bargain at EU level continue to be highly challenging. But a compromise seems possible, provided that one can bridge the divide between security and solidarity.

## RATIONALE

The European Union has made some progress in recent years, but the focus has been on *ad hoc* fire-fighting. Today, the EU27 risk running out of steam before delivering the more fundamental structural reforms, which are necessary in the migration dimension for a number of reasons:

► Continuously high migration pressures.
It is an illusion to believe that migration can be halted. Although the number of people arriving on Europe's shores has been reduced substantially since 2016, the EU will remain under pressure given the instability in its wider neighbourhood, population growth (especially in Africa), and the political, economic and social problems driving many people to leave their homes to seek a better future in Europe.

► Shrinking and ageing population.
Migration is not only a challenge, but also an opportunity and a necessity. Demographic change in all EU countries is undermining Europe's growth potential and the long-term sustainability of social security systems. A continuous inflow of people will be needed to compensate for the negative consequences of ageing. In the words of

the Italian NPE report, "*migration can boost national and European economies by creating new demands for services and goods, fill gaps in the work force, foster innovation and start-up companies and prevent population decline.*"

► Moral and legal obligations. In response to the 2015-16 crisis, the EU and its members have done their best to reduce the numbers arriving at the Union's borders, making it much more difficult for people in need of international protection to reach the EU. Closing the **Western Balkans route** and the 2016 EU-Turkey deal have partially sealed Europe's borders. Further steps towards a '**fortress Europe**' would seriously undermine basic human rights and the Union's international asylum obligations.

► Playing into the hands of populists.
The chaotic situation during the crisis unleashed fundamental anxieties among wide sections of the population in many EU countries. Migration remains a major public concern. It has been a central theme in many election campaigns and authoritarian populists have exploited those anxieties, claiming '**national identities**' and internal security are increasingly at risk.

*Demographic change in all EU countries is undermining Europe's growth potential and the long-term sustainability of social security systems.*

*Closing the Western Balkans route and the 2016 EU-Turkey deal have partially sealed Europe's borders.*

## OBJECTIVES

*To respond to future needs, EU countries should agree on a comprehensive and balanced human mobility strategy based on a holistic concept of migration management, that combines security and solidarity elements.*

To respond to future needs, EU countries should agree on a comprehensive and balanced human mobility strategy based on a holistic concept of migration management, that combines security and solidarity elements. In other words, member states need to enhance the notion of a 'protective Europe' while avoiding the **pitfalls** of a '**fortress Europe'.**

EU governments have struggled to respond effectively to the crisis and still find it difficult to forge compromises because of deep differences of opinion between and within countries. It remains very difficult to reconcile the **two basic camps**:

► those who argue that Europeans have a moral, humanitarian and legal obligation to support those in need of help and refuge ('**solidarity**' camp);

► and those who argue that Europe must protect itself from the large numbers of people trying to reach the continent ('**security**' camp).

The response to the crisis has been characterised by an imbalance between solidarity and security. When faced with an unprecedented influx of people in 2015-16, the pendulum swung sharply towards the latter, with the EU and its members concentrating predominantly on (mostly) *ad ho*c temporary solutions rather than systemic structural reforms.

This echoed the agreement among member states on **three core objectives**:

► To prevent a further unravelling of the Schengen area;

► To safeguard Europe's external borders and

► To reduce the number of people arriving in the EU.

But the Union now needs to move from provisional schemes to long-term mechanisms to address structural weaknesses.

*Member states need to enhance the notion of a 'protective Europe' while avoiding the pitfalls of a 'fortress Europe'.*

*Boosting security is a prerequisite for increasing solidarity and vice versa – and both are necessary to secure the long-term endurance of Schengen.*

## KEY ELEMENTS

A win-win package deal between EU countries needs to reflect both security and solidarity concerns, considering the distinctive interests, circumstances and aspirations among and within the EU27. In effect, boosting security is a prerequisite for increasing solidarity and *vice versa* – and both are necessary to secure the long-term endurance of Schengen. Should member states fail to reach a compromise, migration issues will remain highly divisive, with negative consequences within and among member states.

### 1. Measures to counter insecurity

To combat feelings of insecurity, order must be ensured by fighting and 'regularising' irregular inflows, strengthening the protection of Europe's borders, making a clearer distinction between migrants and asylum-seekers, as well as intensifying cooperation with countries of origin and transit. There is already a broad consensus among the EU27 on security issues, but more should be done with respect to the following issues:

► Increasing and accelerating returns. The EU27 need to establish more effective arrangements to ensure that more of those whose applications to stay in Europe are rejected are rapidly returned. Critics argue that current low levels of return motivate migrants to embark on dangerous journeys, knowing that once they reach Europe, they stand a good chance of staying. Increasing and accelerating return is predominantly a member state responsibility, but the EU could support them by putting more emphasis on assisted voluntary return programmes through **intensified cooperation** with the International Organization for Migration (IOM); concluding return agreements with more countries of origin to boost their readiness to cooperate in identifying and admitting their nationals; incentivising those countries by agreeing on a specific date from when they would commit to take back their nationals without delay (excluding those who arrived in Europe before the cut-off date); and introducing an **EU-wide list of safe third countries** to which failed asylum-seekers can be returned while ensuring that everyone has a right to apply for asylum and applications are still assessed on a case-by-case basis.

► Speeding up national asylum procedures. While respecting international obligations and European norms, the EU27 must speed up national asylum procedures. Today, despite heightened national efforts, asylum applications are processed slowly, generally taking far longer than the six-month target set by the EU. Assessing asylum applications is a national competence and there is no appetite among member states to surrender this prerogative, but procedures and standards need to be further harmonised to create a level playing field across Europe and establish a genuinely common procedure for international protection, while removing incentives for asylum shopping and secondary movements among member states.

► Establishing asylum processing centres in major transit countries to reduce irregular flows. The European Asylum Support Office (EASO) and the United Nations High Commissioner for Refugees could be mandated to assess eligibility as part of an accelerated application procedure. Those deemed to qualify for international protection would be resettled in the EU using a distribution mechanism (see below), while those who are not would be offered voluntary return and reintegration assistance. To avoid abuses of the system, all asylum-seekers would be registered in the **Eurodac fingerprint database**. Those migrants arriving in the EU irregularly and who have previously been registered would be subject to immediate return. Such centres should only be established in countries where asylum-seekers' security and human rights can be ensured. Libya would currently not fulfil these criteria but, for example, countries such as Niger would.

## 2. Solidarity between member states

Solidarity continues to be a highly divisive issue. Consequently, the EU must demonstrate that it is possible to **protect Europe's borders while at the same time ensuring an organised inflow of people** without undermining basic human and refugee rights. Solidarity needs to be strengthened in two directions: between EU countries; and with those knocking on Europe's door and with countries of origin and transit.

The lack of intra-EU solidarity has been a major source of tension between EU countries,



**A group of African asylum-seekers volunteer with the Italian Red Cross at an avalanche-hit hotel in central Italy, January 2017.**
(FILIPPO MONTEFORTE AFP)

not only casting doubts over the future of Schengen, but having a wider negative impact on cohesion within the Union. As the Belgian NPE report states, "*sharing the burden of refugee management is a litmus test for European solidarity.*" Future measures must be underpinned by a clear agreement that any **burden-sharing** decision taken at EU level is binding and must be implemented by every EU country. Nevertheless, great care must be taken in exerting pressure on those that are unwilling to demonstrate greater solidarity. **Coercion** is not the answer. Quite the opposite: NPE discussions have shown that singling out individual countries and putting excessive pressure on them can backfire. Linking solidarity to Schengen membership or regional funding, for example, may further undermine their readiness to shoulder more of the burden and could play into the hands of those seeking to portray the EU as a '**dictating force**' undermining national sovereignty.

In this context, how can the existing gap be bridged and solidarity between member states reinforced?

► Creating a permanent relocation mechanism. To share the burden between the EU27, the Union must replace the *ad hoc* system introduced in 2015. The 2016 European Commission proposals – which aim to create a fairer, more efficient and sustainable system for allocating applications

*The lack of intra-EU solidarity has been a major source of tension between EU countries, not only casting doubts over the future of Schengen, but having a wider negative impact on cohesion within the Union.*

*The 2016 European Commission proposals create a fairer, more efficient and sustainable system for allocating applications and they include a corrective ('fairness') mechanism.*

*Research shows that migrants are more likely to leave their country for economic reasons when they have enough resources to do so.*

and include a corrective ('**fairness**') mechanism to determine automatically when a country is handling a disproportionate number of applications and relocate all additional applicants to other member states – are a reasonable and balanced basis for compromise. But EU governments are struggling to agree on the specific implementation procedures. One solution could be to give **sceptical countries** more time to implement the new relocation mechanism fully while requiring them to make a '**solidarity contribution**' for each applicant they turn away in the meantime. This money could either go to the country which took 'their' applicants in or into a new 'Schengen Fund' managed by the Commission that could compensate those that agree to welcome more migrants than required.

► **Making asylum recognition rates converge across member states.** Recognition rates for asylum applicants coming from the same country vary significantly across EU countries, suggesting their asylum procedures and standards do not guarantee **equal treatment**. This encourages many asylum-seekers to head for those with higher recognition rates to boost their chances of being accepted. To address this, EASO's role in monitoring implementation of EU standards and procedures could be strengthened.

► **Incentivising municipalities to welcome refugees or asylum-seekers.** Providing additional funding to cities that voluntarily take in and **integrate** asylum-seekers could help improve public services, including nurseries, schools, medical institutions and social housing etc. This would also allay citizens' concerns that taking in refugees reduces their access to public services.

► **Establishing asylum-seeker reception centres in Central and Eastern European countries.** Asylum-seekers from countries with higher recognition rates would be transferred to **EASO-administered** reception centres and relocated to other EU countries once their application has been accepted. This would help to alleviate some of the burden on frontline countries such as Italy and Greece, while keeping the number of asylum-seekers allowed to stay in the EU low in Central and Eastern European countries.

► **Creating an asylum-seeker 'exchange mechanism'.** EU countries would be able to exchange asylum-seekers who prefer to settle elsewhere. This mechanism would operate on a one-for-one basis, with countries exchanging asylum-seekers in a **quota-neutral** way. It would reduce secondary movements of relocated refugees and would probably make them more willing to integrate in a country where they want to settle. Secondary movements could also be reduced by introducing a 'European identity refugee card' which every refugee would be obliged to carry.

► **Better informing refugees about welcome conditions in EU member states.** Most asylum-seekers want to go to specific member states, which puts a **heavy burden** on a limited number of EU countries. This is partly because they lack information about the situation in other, seemingly less attractive, countries that are willing to shoulder more of the burden. The EU could help by funding information campaigns to fill this gap.

## 3. Solidarity with countries of origin and transit

A package deal aiming to establish a comprehensive human mobility strategy must reflect the need to show solidarity not only between member states but also with the countries of origin and transit. This is necessary both to secure the cooperation of third partners and to respect basic **human rights** as well as the EU's international legal obligations. The following elements are necessary to achieve this objective:

► **Boosting (financial) support to Africa.** Introduced in 2016, the new Partnership Framework approach for cooperation with third countries on migration was designed to help contain migrant movements by pooling instruments, tools and leverage and to form comprehensive migration partnerships ('compacts'). It reflected the EU's recognition of African countries' significance in the fight against the **root causes** of the refugee crisis. Europe needs to do more, however, to incentivise African countries to cooperate. Using punitive measures to force them to do so will not work, but rather undermines trust and readiness to work together to reduce irregular migration flows and boost returns and readmissions. Instead, the following actions could help foster a willingness to cooperate:

Refugees are welcomed upon arrival onboard a special train coming from Munich at the railway station in Berlin, 13 September 2015. (AXEL SCHMIDT AFP)

► Trust Fund for Africa. Member states should deliver the contributions they pledged to the fund and further augment the funds available to improve the situation in African countries. This money could support the **EU's External Investment Plan**, help African countries to improve their border control and anti-smuggling capacities, and provide support for people living in refugee camps in transit countries.

► New study and work visa schemes could be launched to reduce irregular forms of migration. For each returnee a third country accepts, a negotiated number of study or work visas could be offered to the citizens of that country. The EU's role in this would be limited to **harmonising** the criteria and providing political and diplomatic support, as issuing long-term visas is a national competence.

► Efforts to link development aid and migration to 'persuade' people to stay in their home countries, should target middle-income rather than lower-income countries. Research shows that migrants are more likely to leave their country for economic reasons when they have enough resources to do so. Support for lower-income countries is thus likely to increase rather than decrease the number of people wanting to migrate. **Development aid** to middle-income countries should focus on promoting good governance and supporting an **active role of women** in their societies. It should involve the private sector, while taking effective steps to avoid any misuse of EU funds.

► Establishing a permanent European resettlement framework. The European Union must provide direct legal and safe pathways to enter its territory and **relieve pressure** from countries of origin and transit. This would replace the two-year temporary emergency resettlement scheme agreed in 2015. Establishing an orderly resettlement process could be a **game changer**. It would help to reduce irregular flows of migrants and show solidarity with third countries and

*Establishing an orderly resettlement process could be a game changer.*

*With respect to migration, the deal needs to reflect security and solidarity concerns to bolster the 'protective arm' of the Europe Union while avoiding the pitfalls of a 'fortress' Europe and preventing a further unravelling of Schengen.*

those in need of international protection. To this end, member states should agree on the permanent resettlement framework proposed by the Commission in 2016, which foresees the establishment of a common set of **standard procedures** for selecting resettlement candidates and a **common protection status** for persons resettled in the EU. To support member states' resettlement efforts, the Commission would provide EUR 10,000 from the EU budget for each person resettled, allocated from the EU's **Asylum**, Migration and Integration Fund (AMIF).

Although some progress has been achieved, EU institutions and member states have not yet been able to agree on the introduction of a new (more) permanent **resettlement** scheme. If they fail to find a compromise, a 'coalition of the willing' should not only commit to do this but also raise the annual target proposed by the Commission to **100,000 migrants** given the circumstance that global resettlement needs are at a historical high of 1.2 million.

► **Creating legal avenues of (economic) migration.** To reduce the incentives for irregular migration, the EU must provide safe and legal channels to Europe. This would also

help to incentivise cooperation by countries of origin, as many of them depend heavily on the remittances migrants send home. Besides direct resettlement, there are numerous other potential measures that could be implemented to create legal avenues of migration, such as a more effective Blue Card system to attract highly-skilled workers, measures to allow for higher levels of circular migration, and more study visas and scholarships.

► **Increasing financial support to improve conditions for migrants in Libya.** Some human rights organisations and national government representatives have compared the conditions in Libya to 'concentration camps'. More financial and material support should be made available to substantially improve the conditions in these camps, as has been done in Syria, Lebanon and Jordan.

► **Reforming EU policies that negatively impact countries of origin and transit.** Numerous EU policies – including the Common Agricultural Policy, the Common Commercial Policy and the Common Fisheries Policy – should be screened to check for negative impacts on countries of origin and transit.

**Visitors attend the second edition of a job fair for refugees and migrants in Berlin, 25 January 2017.** (STEFFI LOOS AFP)

## THE BARGAIN

The above components of a potential package deal in the field of migration aim to strike an ambitious but realistic balance between the interests and concerns of the diverse camps within the EU, and move closer to a comprehensive and balanced human mobility strategy. They seek to reflect both security and solidarity concerns, enhance the notion of a 'protective Europe' while avoiding the pitfalls of a 'fortress Europe' and preventing a further unravelling of Schengen.

► For those who argue that Europe must counter the sense of insecurity among its citizens and protect itself from potentially overwhelming numbers of people trying to reach it, the bargain includes the following key proposals: increasing and accelerating returns; speeding up national asylum procedures; establishing asylum processing centres in major transit countries to reduce irregular flows; and strengthening the incentives for countries of origin and transit to reduce irregular migration and increase returns and readmission.

► For those who insist on the need to increase the solidarity between EU countries, the bargain includes the following key proposals: creating a permanent relocation mechanism; making asylum recognition rates converge across member states; incentivising municipalities to welcome refugees or asylum seekers; establishing asylum-seeker reception centres in Central and Eastern European countries; creating an 'exchange mechanism' allowing member states to exchange asylum-seekers who prefer to settle elsewhere; and better informing refugees about the conditions in EU countries ready to accept more people in need of international protection.

► For those who argue that there is a need to show more solidarity with those knocking on Europe's doors and with countries of origin and transit, the bargain includes the following key proposals: boosting (financial) support to Africa; establishing a permanent European resettlement framework; creating legal avenues of (economic) migration; increasing financial support to improve the conditions for migrants in Libya; and reforming EU policies that negatively impact countries of origin and transit.

*To support member states' resettlement efforts, the Commission would provide EUR 10,000 from the EU budget for each person resettled, allocated from the EU's Asylum, Migration and Integration Fund (AMIF).*



**Refugee families take part in registration process prior to the asylum procedure in Greece, 13 June 2016.** (LOUISA GOULIAMAKI AFP)

# A WIN-WIN PACKAGE DEAL / THE SECURITY DIMENSION

External and internal security cooperation could help
to coalesce an overall bargain between the EU27.

## DEFENCE **COOPERATION**

- Establish an ambitious and inclusive PESCO

- Support defence cooperation with adequate financial instruments

- Coordinate the review of national defence planning

- Reinforce the rapid response capacity

- Strengthen the military operation planning capacity

- Revise the rules on the common funding of EU military operations

## FIGHT AGAINST **TERRORISM**

- Foster a culture of cross-border cooperation between national intelligence agencies and law enforcement authorities

- Boost efforts to prevent and counter radicalisation within Europe

- Tackle the implications of the blurring boundaries between internal security and external defence

# 3. The security dimension

## Defence cooperation and the fight against terrorism

The security dimension of a potential package deal between the EU27 differs from the other two dimensions as there are no major 'opposing camps' whose differences need to be bridged. The national and transnational discussions under the auspices of the NPE project have exposed distinct priorities and some divides between EU countries, but they have also revealed a consensus across Europe that member states need to deepen cooperation on both internal and external security. As the Greek NPE report argues, "*security is an area where European citizens demand a truly common European policy*."

Mounting uncertainties and security challenges cannot be dealt with at national level alone and citizens want the EU to do more. Consequently, elaborating a potential bargain between the EU27 in this area is less arduous than in others. But the current political **momentum needs to be maintained** to ensure that cooperation commitments are implemented, which has not always been the case in the past. Progress on the ground will crucially depend on national leaders driving it through regular discussions in the European Council.

Given the widespread support for **deeper internal and external security cooperation**, a deal in this domain could help to create a political context conducive to a more constructive debate on the two other more contentious dimensions of the bargain. Progress on security could foster compromises in the economic and social as well as the migration dimension, where member states have drawn some clear red lines.

Within the internal and external security dimension, **two areas** stand out because of their direct relevance to European security, the relative convergence of national positions, public support and demand for close cooperation, and the pressing need to deliver tangible added value through joint efforts:

➤ **defence cooperation**; and

➤ the **fight against terrorism**.

While intense negotiations are ongoing to narrow differences among member states on issues related to European defence, the gap between countries over counter-terrorism matters is much thinner. There is a need, however, for the EU27 to enforce agreed measures, intensify the cooperation between national agencies, counter the root causes of radicalisation and consider the implications of the blurring boundaries between internal security and external defence.

*Given the widespread support for deeper internal and external security cooperation, a deal in this domain could help to create a political context conducive to a more constructive debate on the two other more contentious dimensions of the bargain.*

*The challenge is not so much to establish new mechanisms and structures, but to make them deliver and advance Europe's strategic autonomy.*

*Progress on security and defence is expected to strengthen relations between the EU and NATO, while helping Europeans to move towards being able to act alone or alongside allies.*

*The bargain should encourage and sustain meaningful progress by countries determined to advance faster while promoting the engagement of all member states.*

## PRIORITY 1 – DEFENCE COOPERATION

The debate on European security and defence has gathered pace since 2016, driven by a renewed sense of urgency reflected in the **EU Global Strategy**. Despite distinctive geopolitical concerns and strategic cultures, member states are increasingly aware that they need to deepen their cooperation to ensure their security. Rising global and regional instability, uncertainty over the US commitment to Europe's security, Germany's heightened interest in playing a stronger role, the impact of Brexit on Europe's security, mounting military pressures on France, and a more ambitious European Commission have all contributed to create more **common ground** and ambition among the member states on progress towards stronger defence cooperation.

## 1. Rationale

There is a need, however, to manage expectations concerning the future of European defence cooperation. Supranational integration is not on the cards as security lies at the core of national sovereignty. The measures currently envisaged do not constrain national prerogatives, but rather aim to augment the EU's added value as a 'cooperation multiplier'. Through economies of scale, the EU can help to develop new capabilities and pool them in integrated and more deployable multinational force packages.

**Four policy initiatives** promoted over the past year can and should be mutually reinforcing: strengthening EU planning structures for operations in the framework of the Union's Common Defence and Security Policy (CDSP); establishing a process to regularly review national defence planning through the Coordinated Annual Review on Defence (CARD); launching permanent structured cooperation (PESCO) for countries ready to invest more, collaborate on more ambitious joint capability projects and contribute forces to multinational units; and the envisaged launch of a European Defence Fund supporting both research and the development of new capabilities.

**EU funds** are intended to encourage member states to undertake collaborative projects and procurement, including through binding commitments under PESCO. The CARD process is designed to highlight capability gaps and shared priorities, thereby improving coordination and contributing to identifying areas for further cooperation.

Progress on security and defence is expected to strengthen relations between the EU and NATO, while helping Europeans to move towards being able to act alone or alongside allies. **Strategic autonomy** requires more than capabilities; it also depends on the convergence of distinct national strategic cultures and on a common assessment of risks and priorities for action. That said, this is to some extent a circular argument: without adequate capabilities enabling significant military tasks, there will be no incentive to advance on other prerequisites for strategic autonomy.

**A French army helicopter transporting marines attached to the European Union naval Force - EUNAVFOR-Somalia.**
(AYMERIC VINCENOIT AFP)

## 2. Objectives

Member states need to implement what they have agreed to do. Having agreed to launch the EDF and PESCO, they must now focus on **turning words into deeds**. The jury is still out as to whether they will be able to fulfil the expectations they have raised. They still need to demonstrate their determination to overcome **resistance** from various quarters, including parts of the political and military establishment and national defence industries defending their prerogatives and interests. The challenge is not so much to establish new mechanisms and structures, but to make them deliver and advance Europe's strategic autonomy.

The overarching objective of a bargain between the EU27 on defence should be the collective empowerment of EU countries through joined-up capability development and procurement as well as operational efforts.

To match the level of ambition set by member states in December 2016, deeper European defence cooperation is vital in **three major areas**: responding to external conflicts and crises; building the capacity of EU partners; and protecting the Union and its citizens. These ambitions need to be spelled out in more detail, particularly in relation to the military tasks that European forces are expected to be able to perform.

The European defence agenda features **three priorities**:

► Member states must fulfil their commitment to progressively raise defence spending, especially to expand investment in equipment, research and technology.

► They should better coordinate defence planning cycles to enable joint capability development and acquisition, thereby maximising the impact of defence spending and avoiding wasteful duplication.

► They should not only jointly develop and procure capabilities, but also establish integrated and readily deployable multinational force packages, adequately supported by common funding arrangements.

Pursuing these objectives brings to the fore **differences among member states** over specific priorities and broader approaches to European defence. Some are mainly focused on developing expeditionary capabilities; others stress the need to counter cyber-attacks or upgrade infrastructure to ensure the mobility of military assets within the EU. Nevertheless, this should not hamper progress. Various member states show a degree of flexibility and the **menu of available measures** gives many countries reasons and incentives to contribute, while not necessarily subscribing to all initiatives.

*The overarching objective of a bargain between the EU27 on defence should be the collective empowerment of EU countries through joined-up capability development and procurement as well as operational efforts.*

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## 3. Key elements

Striking a win-win package deal on defence means calibrating initiatives in ways that meet national interests and concerns while ensuring that political momentum is not diluted. **Ambitions** for cooperation must remain high. The bargain should encourage and sustain meaningful progress by countries determined to advance faster while promoting the engagement of all member states.

To achieve this, the following actions will prove essential:

► Establishing an ambitious and inclusive PESCO. Designing PESCO is the first test of a complex balancing act. **France** sees it as a springboard to mobilise capacity for military action, while **Germany** views it as a pathway to capability development. These differences have been reconciled by defining PESCO as 'inclusive and ambitious', a good enough compromise for now. To ease inherent tensions, PESCO will have to deliver tangible added value by generating adequate defence capabilities and boosting the capacity to use them for operational purposes.

PESCO should secure a set of **commitments** from member states ready to join, while keeping the door open to those willing but not necessarily able to meet the conditions yet. These commitments should be scrutinised to ensure they translate into **concrete deeds**. PESCO should also enable more far-reaching cooperation between subsets of countries willing to take part in more advanced projects.

This 'modular' approach should not, however, lead to dispersing efforts across too many small projects. PESCO should include a limited set of core projects covering both the capability and operational dimensions. Only results from concrete projects can demonstrate that PESCO works and thus pave the way towards a higher level of ambition.

► Supporting defence cooperation with adequate financial instruments. PESCO's success will depend, in many ways, on the availability of financial **incentives** for member states to work together. Governments will be sensitive to the distribution of these incentives and the impact of deeper cooperation on national industrial sectors. This also involves the

balance between support for large and small companies in the **defence market**, since the former are concentrated in a handful of member states.

The EU27 should support the Commission's proposals for various financial instruments and measures. Furthermore, its idea of **discounting** collaborative defence investments in the calculation of national deficits could be included in a win-win package deal. Together, these proposals can help foster cooperation among member states while supporting a high level of ambition.

► Coordinating the review of national defence planning. To foster capability development through joint initiatives, better coordination of national defence planning processes is required to ensure that national budgets can be simultaneously mobilised. The revision of the **Capability Development Plan** (CDP) in 2018 and the trial implementation of the **Coordinated Annual Review on Defence** (CARD) will be critical in this respect. They should both enable a more structured exchange between EU countries on defence spending plans and facilitate the identification of shared priorities and capability gaps, thus paving the way for pooling national resources to fill those gaps.

► Reinforcing the rapid response capacity, strengthening the military operation planning capacity, and revising the rules on the common funding of EU military operations. If Europeans need to intervene in hostile theatres and perform extensive crisis management tasks, then progress on these three issues is crucial for the defence deal to deliver tangible operational added value. More demanding **military operations** will require not only more pooling of resources and cost sharing but also the setup of sizeable deployable units and adequate headquarters to steer these operations.

*There is a need to overcome the operational limitations of existing tools and to foster greater confidence and trust among national actors.*

*PESCO's success will depend, in many ways, on the availability of financial incentives for member states to work together.*

*PESCO should include a limited set of core projects covering both the capability and operational dimensions.*

## 4. The bargain

A package deal on defence is within reach. If member states truly engage through the new frameworks, show ambition and join forces to enhance Europe's strategic autonomy, the deal could reverberate politically beyond the field of defence.

Closer cooperation in this area, supported by common funds, and tangible results would fuel political cohesion and mutual confidence, which could help to create the conditions to narrow divisions on other issues. The balanced implementation of the package would meet the **interests** of all member states and help bring their strategic cultures and **priorities** closer. In more concrete terms, the deal would help to:

► Improve burden sharing with the US and contribute to strengthening NATO, while making the EU better able to carry out more demanding missions if and when needed;

► Respond to calls for the EU to acquire greater operational capabilities for expeditionary operations to cope with destabilisation in its turbulent neighbourhood, while reinforcing Europe's defences against conventional and hybrid threats;

► Encourage more member states to spend more, and more effectively, on defence, thus reducing the gap in expenditure as a share of GDP among them and enhancing the security dividend from joint efforts for everyone;

► Provide financial incentives to those countries willing to join forces;

► Support competitiveness in the European defence market, not least by promoting the inclusion of SMEs in joint development and procurement projects.

*Closer cooperation in this area, supported by common funds, and tangible results would fuel political cohesion and mutual confidence, which could help to create the conditions to narrow divisions on other issues.*

**Soldiers of a Eurocorps detachment carry the European Union flag in front of the European Parliament.**
(PATRICK HERTZOG AFP)

## PRIORITY 2 – FIGHT AGAINST TERRORISM

*Given the similar nature and interconnectedness of the terrorist threat throughout Europe, however, the Union can play a supportive role.*

Europe has become a target of terrorism and there is no sign that the danger is receding. Although not a new phenomenon, the rise of terrorism is having a particularly negative effect on our societies. Surveys show it tops the concerns of European citizens. It is perceived as a **constant risk** in many EU countries.

Terrorism is a global phenomenon and terrorist groups operate beyond national borders. The challenge can therefore not be addressed at national level alone. In fact, it requires coordinated action at European



Europol Director Rob Wainwright, Dutch Minister of Security and Justice Ard van der Steur and European Commissioner for Migration, Home Affairs and Citizenship Dimitris Avramopoulos launch the European Counter Terrorism Centre, 25 January 2016. (BART MAAT AFP)

level. In recent years, the EU has adopted numerous statements and measures to tackle terrorism. Concrete steps have been taken, for example, to improve the exchange of information among national **law enforcement agencies**; to disrupt terrorist online propaganda and develop counter-narratives; to secure borders through more effective collection and **sharing of data**; to manage the risk posed by returning foreign terrorist fighters; or to cut terrorists' access to firearms, explosives and financial support.

The NPE debates have shown, however, that more needs to be done to boost the EU's ability to counter terrorism. For the purpose of formulating a win-win package deal, there is a need to focus on three basic priorities:

► Fostering a culture of cross-border cooperation between national intelligence agencies and law enforcement authorities, who are often not ready or able to share information and cooperate beyond national borders. Fragmentation is a fundamental obstacle in the EU-wide fight against terrorism. There is a need to overcome the operational limitations of existing tools and to foster greater confidence and **trust** among national actors. Without better information exchange between **national agencies** and with EU agencies, the EU27 will not be able to close operational loopholes and intelligence gaps, which in turn will limit their ability to effectively undermine terrorist activities.

National authorities need to improve the interoperability and interconnectedness of their information systems and databases. While ensuring proper protection of personal data, they must be able and willing to exchange information about potential terrorists' movements, **biometric data** (DNA profiles and fingerprints), law enforcement data including criminal records, digital evidence and financial transaction data to identify terrorist funding. The **European Counter Terrorism Centre**'s ability to act as the law enforcement intelligence hub for analysing risks must also be strengthened.

► Boosting efforts to prevent and counter radicalisation within Europe. To date, actions at national and European level have mainly focused on reinforcing security responses to terrorist attacks. This is clearly essential, but it is also vital to focus efforts on preventing violent radicalisation and tackling its multiple causes. Terrorists aim to polarise societies, undermine their cohesion and provoke a **repressive over-reaction** that then fuels even more violence and triggers a spiral of violence and counter-violence to radicalise societies. Terrorist organisations target those who feel excluded, marginalised and discriminated against in our societies, and cultivate a sense of 'us' against 'them'. In recent years, most of the suspects implicated in terrorist attacks were radicalised Europeans who were turned against their fellow citizens.

There is a serious risk that a narrow security-driven response to terrorism will prevail over a more **comprehensive long-term strategy**. The latter would include an emphasis on prevention and tackling the

causes of radicalisation. It would include social, economic, education and integration policies and engage a variety of actors at all levels, especially the local one. A long-term strategy must include measures fostering social **inclusion**; enhancing mutual intercultural knowledge, understanding, **tolerance** and respect; tackling socio-economic inequalities; preventing the **marginalisation** and stigmatisation of certain groups or communities; and combatting hate speech and crime.

The EU has already made some progress in this direction but more needs to done. Measures to counter **radicalisation** must be implemented on the ground and lie primarily in the hands of member states. Given the similar nature and interconnectedness of the terrorist threat throughout Europe, however, the Union can play a supportive role. In the next **Multiannual Financial Framework** (MFF), the EU27 should agree to augment support for comparative research on radicalisation and de-radicalisation; boost efforts to counter terrorist propaganda and **hate speech** online; break the cycle of radicalisation in prisons; strengthen intercultural dialogue; and support media literacy to raise awareness about the risks of online extremism.

► Tackling the implications of the blurring boundaries between internal security and external defence. The international and domestic realms have become more closely intertwined, and are thus harder to circumscribe. The **old divide** between internal and external affairs, still mirrored in national and European political and administrative structures, hampers the ability of both levels to effectively identify, prevent and react to new **multi-faceted threats** that transcend national borders. Islamist terrorism, which uses all kinds of modern means of communication, transport and financing, is exploiting the **loopholes** offered by an interconnected European and global environment. Many of the root causes of international terrorism lie in developments in third countries, with civil wars, interstate conflicts, failed states, unprotected borders, climate change, poverty, and resource scarcity all playing into the hands of terrorist organisations.

At the same time, technological developments are having a major impact on Europe's security.

Social media, big data, cloud technology, artificial intelligence and digitalised infrastructures are making our highly-connected economies increasingly vulnerable to non-conventional and asymmetric **hybrid attacks**. New threats from within or outside the EU may have the potential to destabilise entire cities, economies and countries. As the Polish NPE report argues, the EU and its members should take the multifaceted nature of security threats more into account. Efforts to counter disinformation campaigns and foreign propaganda, like the **East StratCom Task Force**, should thus receive additional human and financial resources.

The expanding connection between internal security and external defence calls for a better alignment of our policies, instruments and structures, at both national and EU level. Several measures are being discussed in this regard. A win-win package deal in the area of security should include the following main **proposals**:

► EU summits dedicated to security and defence issues;

► Regular joint meetings of the Ministers of Defence and Interior;

► Enhanced coordination between EU institutions and agencies dealing with internal and external security issues;

► A European White Book on Security and Defence defining coherent internal and external security objectives to translate the EU Global Strategy goals into practice; and

► stronger links between the security area and other dimensions of cooperation in EU partnerships with third countries, especially in Africa.

*There is a serious risk that a narrow security-driven response to terrorism will prevail over a more comprehensive long-term strategy.*

*Efforts to counter disinformation campaigns and foreign propaganda, like the East StratCom Task Force, should thus receive additional human and financial resources.*

*A European White Book on Security and Defence should define coherent internal and external security objectives to translate the EU Global Strategy goals into practice.*

# 4. Functional and pragmatic differentiation

*At times, variable geometry is the only way forward.*

*Differentiated integration has been, is and will remain, an indispensable feature of the European construction.*

*Multiple speeds should be the exception, unity the rule.*

The implementation of the above package deal would lead to a higher level of differentiated integration. Diverse groups of member states would intensify their level of cooperation in specific fields. Cooperation in defence (within the framework of **PESCO**) or in certain aspects of migration management would not involve all EU countries. Similarly, boosting the resilience of the **euro** would require deeper cooperation and integration among countries that have already joined the Union's common currency.

These higher levels of differentiated integration would be guided by functional and pragmatic needs and the willingness to progress. At times, **variable geometry** is the only way forward. Differentiated integration has been, is and will remain, an indispensable feature of the European construction. The EU is already characterised by varying levels of cooperation and integration among its members.

Multiple speeds are already a **reality**: not all members share the same currency; some EU countries are not part of **Schengen**; some do not participate in all aspects of the Area of Freedom, Security and Justice; some are only partially involved in the Union's security and defence policy; and the UK wants to exit the EU altogether, opening the door to 'differentiated disintegration'. Given these realities, the central question is not whether there will be a differentiated Europe, but rather what it will look like.

Differentiated integration is **no magic potion** and should not be considered an end in itself. Multiple speeds should be the exception, unity the rule. On many occasions, however, differentiation becomes a functional necessity to help overcome stalemates in a bigger, more heterogeneous and more complex EU. History has repeatedly shown that more intense cooperation among a smaller group of countries or **opt-outs** exempting some countries from part of the Union's *acquis* can help to overcome situations where some member states are neither ready nor willing to go further, helping the EU to remain effective and cope with current and future challenges. As the Polish NPE report argues, "*the alternative to a multi-speed Europe is de facto a speed-less Europe.*"

Differentiation as foreseen in this report adheres to a functional and pragmatic approach. It aims to prevent individual member states from blocking cooperation in specific areas. The institutional, legal and political challenges related to a **multi-speed Europe** can be eased if cooperation is 'organised' inside the Union. **Differentiated cooperation** should, if possible, build on the instruments and avenues foreseen by and made legally possible under EU primary law (e.g. enhanced cooperation; PESCO; constructive abstention; opt-outs etc.). The fact that these instruments are governed by clearly specified rules and constraints enshrined in the **EU Treaties** minimises the potential for negative externalities from a differentiated Union.

## RULE-BASED DIFFERENTIATION

In more concrete terms, differentiation within the EU's framework:

► Respects and benefits from the Union's **single institutional framework**;

► Preserves the prerogatives and powers of the Commission, the European Parliament and the European Court of Justice;

► Limits an anarchic and uncontrolled use of flexible forms of cooperation and integration (no 'cherry-picking');

► Guarantees a high level of **transparency** and **visibility** for both member states and EU institutions thanks to the existence of clear-cut rules concerning the inception, functioning and widening of differentiated cooperation;

► Is characterised by a high degree of **inclusiveness** and **openness** towards member states that do not participate from the beginning ('pre-ins' and 'outs');

► Ensures a high level of **democratic scrutiny** by involving the European Parliament and (when applicable) national parliaments;

► Enables the continuous development of the Union's *acquis* in line with the requirements of the EU Treaties; and, most significantly,

► Reduces the overall risk of a rupture or even confrontational split between the EU27.

*Closer cooperation needs in some cases to be organised outside the EU framework to make a significant step forward instead of waiting indefinitely for smaller steps within the Union framework.*

## OUTSIDE EU TREATIES – INTERGOVERNMENTAL *AVANT-GARDE*

However, although it is preferable to overcome deadlocks within the framework of the EU Treaties, experience has repeatedly shown that **closer cooperation needs in some cases to be organised outside the EU framework** to make a significant step forward instead of waiting indefinitely for smaller steps within the Union framework. There have been numerous cases were a limited number of member states decided (or felt obliged) – given serious opposition from certain governments to move forward within the Union's framework – to intensify their cooperation outside the EU. The Schengen Treaty, cooperation in social policy or, more recently, innovations in the context of the euro area crisis (Fiscal Compact, Euro Plus Pact, SRF, or the ESM) have all been examples of this.

But closer cooperation outside the EU Treaties bears several potential risks:

► First, it can weaken the EU's institutional coherence, especially if it involves the creation of new, separate and parallel institutional bodies.

► Second, it may suffer from a lack of democratic scrutiny at both national and European level if parliaments are not (sufficiently) involved.

► Third, it can lead to negative spill-over effects on other policy areas, including the Single Market.

► Last but not least, it runs the risk of creating a (deep) split between the 'ins' and 'outs' if the latter feel excluded.

The chances of these risks materialising can in practice be reduced if cooperation outside the treaty framework follows the notion of an 'intergovernmental *avant-garde*', which is open to all member states willing to join, involves or even strengthens the role of EU institutions, refrains from setting up new separate and parallel institutional structures outside the Union, and aims to integrate the legal norms adopted and the cooperation initiated outside the EU into the treaty framework as soon as possible.

## 'CORE EUROPE' – POLITICALLY UNREALISTIC

*The establishment of an institutionalised 'two-tier' Europe with diverse classes of membership is neither likely nor desirable.*

*Debates about creating a 'core Europe' are not only futile, but also absorb a great deal of political energy and undermine political cohesion among the EU27.*

Although the implementation of the package deal presented in this report will require a higher level of differentiated integration, this does not mean that it should lead to the creation of a closed 'core Europe' (*Kerneuropa*) involving only a limited number of EU countries.

The establishment of an institutionalised 'two-tier' Europe with diverse classes of membership is neither likely nor desirable. It should not be the *Leitbild* (guiding principle) steering the way towards a more differentiated Europe. It could fuel a deep rift in Europe between those who are part of the core and those who are not. For good reasons, differentiated integration has not, in the past, led to an institutionalised core; i.e. a small, coherent group of countries forming an exclusive *avant-garde* and distinguishing themselves from other member states.

The creation of a 'core Europe' is politically unrealistic for **three** basic reasons:

► First, even the most integration-friendly countries (within or outside the euro area) would, at least for now, hesitate to make any qualitative leap forward that would imply a further loss or pooling of sovereignty.

► Second, the countries most likely to be included in any core group (e.g. the six founding members or the Euro-19) are extremely heterogeneous, lack political cohesion and have diverse views on the future of the E(M)U.

► Third, no group of countries would be ready to actively exclude other member states, and some major countries (including, first and foremost, Germany) would strongly oppose any move that could signal a (new) division of Europe into a core and a periphery.

Member states may support a multi-speed Europe, but they should avoid any impression that differentiated integration implies the creation of a '**two-tier'** Europe. In the end, debates about creating a 'core Europe' are not only futile, but also absorb a great deal of political energy and further undermine political cohesion among the EU27, which will make it even more difficult to progress in the years to come.



**A road sign greets visitors to the town of Schengen (Luxembourg), where the 1985 European Schengen Agreement was signed.** (CHRISTOPHER FURLONG - GETTY IMAGES)

# Countering the persistent threat of authoritarian populism

# COUNTERING THE PERSISTENT THREAT OF AUTHORITARIAN POPULISM

## DELIVER **CREDIBLE RESULTS** AND **STRENGTHEN THE EU** AS A 'DEMOCRATIC WATCHDOG'

- Address the multiple insecurities fuelling authoritarian populism
- Avoid raising expectations the Union cannot live up to
- End the Brussels blame game that plays into the hands of the populists
- Demonstrate that the EU is not an 'agent of unfettered globalisation'
- Enhance the EU's ability to act as a 'democratic watchdog'

## **ACKNOWLEDGE CITIZENS'** CONCERNS AND **BOOST** THEIR DEMOCRATIC PARTICIPATION

- Take citizens' hopes and fears seriously rather than dismissing them as irrational, exaggerated or even irrelevant
- Listen also to the concerns of people from other EU countries
- Boost citizens' involvement in EU decision-making

## **CONVINCE CITIZENS** WITHOUT IMITATING AUTHORITARIAN POPULISTS

- Do not copy the political rhetoric and prescriptions of authoritarian populists
- Present a persuasive and positive counter-narrative
- Demonstrate why European cooperation is a win-win from a national perspective
- Promote the ability of citizens to 'experience Europe'

## CONSTANTLY **REMIND PEOPLE** OF THE TRUE NATURE AND OBJECTIVES OF AUTHORITARIAN POPULISTS

- Authoritarian populists seek to divide and polarise our societies
- Authoritarian populists seek to undermine the basic pillars of liberal democracies
- Proposals made by authoritarian populists are either unrealistic or economically ludicrous

The national and transnational debates conducted in the framework of the NPE project revealed a broad consensus that the danger of a more regressive, nationalistic, closed, illiberal, and authoritarian Europe persists, even though some authoritarian populists have not done as well as predicted in recent elections. The pressures on liberal democracies remain serious and there is no reason to believe that the phenomenon of authoritarian populism has peaked. The surge of populism is **not new** and its successes are the result of profound political, socio-economic and societal challenges questioning the prevailing order, which cannot be ignored. But what can be done at European, national, regional and local level to address the rise of illiberal democracy?

The implementation of a win-win package deal along the lines presented in this report could help to strengthen the Union's defences against future crises, rebuild trust in the EU27 among citizens and elites and thereby augment the chances of an 'EU renaissance'. Conversely, if the Union cannot find the political will and courage to exploit the current window of opportunity, it may not be able to **weather future storms** and deliver results on the issues which matter most to citizens throughout Europe, which in return would play into the hands of Eurosceptic and authoritarian populists.

Either way, it is essential that the EU27 strike a bargain, but it would not be enough. The analysis presented in this report shows that the danger of a more regressive, nationalistic, closed, illiberal, and authoritarian Europe lies deeper and threatens much more than the EU. The response needs to encompass efforts at various levels of governance. Clearly, there is **not one silver bullet** that can avert this danger. The reality is much more complex, varies from country to country, and no one can claim to have the 'right' answer.

Based on the findings of this report, however, there are several things that should be borne in mind when looking for ways to counter authoritarian populism, which can be summarised in four principles:

► Deliver credible results and strengthen the EU as a 'democratic watchdog';

► Convince citizens without imitating authoritarian populists;

► Acknowledge citizens' concerns and boost their democratic participation;

► Constantly remind people of the true nature and objectives of authoritarian populists.

*The pressures on liberal democracies remain serious and there is no reason to believe that the phenomenon of authoritarian populism has peaked.*

# 1. Deliver credible results and strengthen the EU as a 'democratic watchdog'

*The European Union can provide added value in crucial areas. It cannot, however, compensate for deficiencies at national level and it cannot, on its own, solve today's complex problems.*

*'Gesture politics' should be avoided, as non-delivery raises valid criticisms of the Union.*

► **Address the multiple insecurities fuelling authoritarian populism.** Citizens want the EU to deliver tangible responses to their concerns. The win-win package deal outlined in this report could help it to do so. If blockages that have stymied progress in recent years can be removed, the EU27 could advance in major areas linked to Europe's economy, borders (migration), and the Union's role as a security provider.

This bargain could help to address the multiple insecurities fuelling authoritarian populism. It would be a significant response to the profound anxieties about the future fuelled by fears of being among the 'losers' of rapid change in all spheres of life; insecurities, anxieties and fears which make people more inclined to vote for authoritarian populists, who give voice to their concerns, frame them in an antagonistic fashion and promise a fundamental overhaul of the current order.

A package deal among the EU27 would obviously not solve all the problems Europeans face, but it could help to counter the growing polarisation of our societies, the **fertile ground** on which authoritarian populists thrive. It addresses not only the socio-economic consequences of change, but also other sources of division and insecurity, including cultural, societal, generational, technological, and security issues. Ensuring the stability of the euro and enhancing sustainable growth while also strengthening the Union's 'protective arm' could help to counter some of the socio-economic insecurities sparked by the 'great crisis'. Proposals aimed at (re-)balancing security and solidarity concerns raised by migration and border management could help to counter some of the cultural and societal anxieties unleashed by the **refugee crisis** in some sections of the population. Proposals aimed at strengthening the Union's

ability to play a stronger role in defence and counter-terrorism could help to counter security fears from an external and internal perspective.

► **Avoid raising expectations the Union cannot live up to.** While a win-win package deal could help the EU to progress, the origins of the polarisation of our societies and the means to counter it lie predominantly at **national level**. It is thus primarily the responsibility of national actors to address them. The EU clearly has a role to play, given the transnational character of the challenges facing Europe. But it must also be careful not to overburden the European level, given the current distribution of competences and the limits on its powers, to avoid falling into an 'capability-expectations trap', which can then be used against it. In the words of the German NPE report, "*to enhance its legitimacy, the EU should address the growing gap between expectations and output.*"

The European Union can provide **added value** in crucial areas. It cannot, however, compensate for deficiencies at national level and it cannot, on its own, solve today's complex problems. The old narrative that what cannot be solved at national level must be tackled at European level needs to be refined, as this asks too much of an EU whose competences and powers remain constrained. The Union should thus concentrate on initiatives in areas where it can make a tangible difference. This '**delivery filter**' was applied to elaborate the package deal presented in this report and it should also be used to scrutinise all new EU initiatives. It is not about 'less Europe', but rather about a more effective, realistic and credible EU. '**Gesture politics**' – measures designed simply to show the Union is doing something– should be avoided, as non-delivery raises valid criticisms of the Union.

If EU leaders and governments demand action in areas where the Union's powers or resources are limited, EU institutions should outline what they need in terms of resources and national commitments to meet these demands. If the Commission comes forward with a proposal which is then significantly **watered down**, it should not shy away from withdrawing it. Once agreement is reached, member states must implement what has been collectively decided at European level. EU institutions should do more to monitor and publicise implementation failures at national level, which have surged in recent years.

► End the Brussels blame game. Putting together a new bargain between the EU27 will not be enough: pluralist political forces committed to an open and values-based Europe must also end the 'Brussels blame game', which plays into the hands of authoritarian populists. Experience in the UK, where public attitudes towards the Union were poisoned by decades of **EU-bashing**, has shown that constant criticism of the European project can 'poison the well'. Defending European integration when a crisis strikes after attacking it for years is an almost impossible task.

The importance of taking national 'ownership' of actions at EU level is progressively being recognised, but is often invoked simply to argue that **scapegoating** harms the Union. This does not appear to be enough to convince national politicians to desist. Ultimately, decisions to change habits will not be driven by idealistic pro-Europeanism, but rather by 'enlightened self-interest'. Political leaders must recognise that the blame game fuels **anti-EU sentiment** and undermines the Union's ability to deliver **tangible results** on issues which can only be effectively addressed at European level. All of this strengthens those who argue in favour of a much looser and disconnected Europe and weakens pro-European democratic forces. What hurts the EU will, in the end, hurt national leaders and their countries.

► Demonstrate that the EU is not an 'agent of unfettered globalisation'. To regain popular support, liberal democratic forces committed to an open and pluralist society will have to identify ways to protect citizens and counter the perception that the EU is an agent of unfettered globalisation. Protecting citizens from its 'dark' side (unsustainable excesses in the financial sector, a social 'race to the bottom', unfair competition, the

*The Union and its members must show that they are ready and able to protect their citizens from the 'excesses' of globalisation, by defending social and environmental standards, countering tax evasion, and creating an ethical framework for the development of new technologies.*



**European Commissioner for Competition Margrethe Vestager addresses a press conference at the European Commission in Brussels, 4 October 2017.**
(EMMANUEL DUNAND AFP)

*What hurts the EU will, in the end, hurt national leaders and their countries.*

*An EU that cannot defend its principles will lose its credibility both inside and outside Europe.*

*If the EU is serious about protecting pluralist liberal democracies, member states must enhance the Union's ability to act as a 'democratic watchdog' in response to serious breaches of its fundamental principles.*

exploitation of loopholes in an unregulated global economy by international companies etc.) needs to start with an honest debate about the risks and benefits of globalisation. Europeans have profited immensely from expanding markets and free trade, and Europe has been a strong promotor of economic development in other parts of the world. But EU citizens are increasingly critical of, and fear, the negative consequences of globalisation, as evidenced by the mass demonstrations against the Transatlantic Trade and Investment Partnership (**TTIP**) and the Comprehensive Economic and Trade Agreement (**CETA**) with Canada in many member states.

The Union and its members must show that they are ready and able to protect their citizens from the excesses of globalisation, by defending social and environmental standards, countering tax evasion, and creating an ethical framework for the development of new technologies.

Some of the proposals in this package deal, especially in the socio-economic dimension, indicate what should be done at the EU level. It means strengthening the **Single Market** not only through further liberalisation and promoting the Digital Single Market, Energy Union or Capital Markets Union, but also by stepping up the fight against social, tax and environmental dumping and ensuring that the four freedoms are not abused. In trade policy, the EU should not only safeguard the level playing-field within the Single Market but also take action compatible with **WTO rules** to pursue the Union's legitimate interests when trading with third countries who already use similar means such as investment controls, state aids or strategic procurement.

Nevertheless, cooperation at EU level will not suffice. More needs to be done at the **national level**. Member states control the main levers of economic and social policy and need to find ways to combine the benefits of open and integrated markets with the requirements of a social-market economy, make the best of opportunities while correcting market failures and protecting the vulnerable, who feel that inequalities are rising and economic opportunities are not being shared fairly.

► Enhance the EU's ability to act as a 'democratic watchdog'. When authoritarian populists come to power, they often seek to limit the powers, independence and freedoms of pluralist institutions and players such as the (constitutional) courts, media, political parties, or civil society organisations. If the EU is serious about protecting pluralist liberal democracies, member states must enhance the Union's ability to act as a 'democratic watchdog' in response to serious breaches of its fundamental principles. Monitoring the state of democracy does not end once a country has joined the Union.

An EU that cannot defend its principles will lose its credibility both inside and outside Europe. In times of profound uncertainty, adherence to its values and more efficient safeguards are vital to ensure there are consequences if governments flout basic membership obligations. There are some things the EU and its members could do within the framework of the current **EU Treaties**:

► Given that a country's future is ultimately decided within its own borders, national civil society organisations must be strengthened and their ability to monitor illiberal tendencies and counter anti-pluralist measures through public pressure and/or legal action enhanced;

► In the event of a continuous serious breach of fundamental values and principles, EU governments must stand united and send a strong political signal to the government concerned, even if they cannot trigger the 'nuclear option' of suspending membership rights as foreseen in Article 7 of the EU Treaty;

► National parties in the same European political family should put pressure on their sister party instead of protecting it, as the latter makes it easier for authoritarian populists to undermine pluralist structures and individual freedoms in their country;

► To counter the argument that EU institutions and member states are trying to undermine the national sovereignty of a country by marginalising it, the Union must show that each country's interests are equally reflected in the EU's policy agenda.

Going beyond the current EU Treaties, member states and EU institutions should, in the context of a future treaty reform, strengthen the Union's ability to act as a 'democratic watchdog' by introducing a more functional process for imposing sanctions if governments flout fundamental EU rights and values. Such decisions should in future be taken by **reverse majority** (i.e. a Commission recommendation is deemed adopted unless the Council decides by qualified majority to reject it within a given deadline) and the procedure should be based on an independent assessment by outside experts. Consideration should also be given to creating a mechanism that points members towards the exit door if they refuse to adhere to the Union's fundamental principles.

In whatever they do, EU institutions and national politicians should always be careful not to fall into the trap of authoritarian populists who characterise any outside action as a 'foreign interference' undermining their country's national sovereignty. External actors should thus maintain dialogue with opposition parties and other civil society players in the country concerned, and refrain from polemics which could be turned against them. The Commission should be the main interlocutor and national politicians should support its **prerogatives** – respect for democracy, the rule of law, and fundamental individual freedoms and rights must be a common concern of member states and not just of the Commission as 'guardian of the treaties'.

Finally, the EU should not link adherence to civil rights and fundamental democratic values and principles to other European cooperation issues. Threatening to impose **sanctions** in individual policy areas or to cut off EU financing run the risk of playing into the hands of authoritarian populists, who will argue that 'Brussels' and other capitals aim to punish their country.

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**Austria's President Alexander Van der Bellen.** (EMMANUEL DUNAND AFP)

# 2. Convince citizens without imitating authoritarian populists

*There is a need to move beyond the TINA (There Is No Alternative) logic by offering distinguishable policy proposals, a forward-looking message of hope and the promise of change to a gridlocked political system.*

*Pro-European forces should explain the intrinsic connection between national and European reforms, i.e. that national reforms will only succeed if EU reforms succeed and vice versa.*

► Do not copy the rhetoric and prescriptions. In many EU countries, mainstream parties fearful of losing votes have adapted or even copied their populist opponents' political rhetoric, policy prescriptions and techniques, instead of challenging them. They do this to show they are listening to citizens' concerns, hoping that this will prevent voters from turning away from them or encourage them to return once the situation improves.

This tactic is short-sighted and flawed. Adopting the divisive arguments and simplistic rhetoric of authoritarian populists hollows out core values of our liberal democratic system and legitimises their illiberal agenda. Furthermore, those who turn to populist parties tend not to come back, attributing the growing focus on 'their' issues to those who were 'courageous' enough to stand up to traditional elites. Experience has also shown that copying populist rivals does not pay off, as voters attracted to them tend to prefer the original to imitators. Finally, even if **mainstream parties** profit from fighting the populists on their terms at election time, they are confronted with the consequences of this once in power, which can undermine the coherence, stability and credibility of any government they form.

► Present a persuasive and positive counter-narrative based on a credible set of actions at the national and European level. Pluralist democratic forces should elaborate their own **credible counter-narrative** linked to tangible prescriptions for action at both national and European level, setting their own agenda while addressing the issues raised by authoritarian populists. They must have the courage to oppose and differentiate themselves from rivals; be proactive rather than reacting to the simplistic proposals of their populist opponents; move beyond the **TINA** (There Is No Alternative) logic by

offering distinguishable policy proposals, a forward-looking message of hope and the promise of change to a **gridlocked political system**. Simply stoking fears of what might happen if authoritarian populists move closer or even assume power is not enough. Defenders of liberal democracy must **explain the benefits** of an open, tolerant, diverse and liberal society, and make it clear why such societies will be better equipped to deal with the forces of change in an interdependent European and global environment.

In addition, pro-European forces should explain the **intrinsic connection** between national and European reforms, i.e. that national reforms will only succeed if EU reforms succeed and *vice versa*. This message should be underpinned by credible proposals for action which are implementable, forward-looking, and address citizens' real fears and concerns. The win-win package deal elaborated in this report tries to show that the EU27 could define such a reform bargain at EU level reflecting the interests, considerations and concerns of all member states. In a next step, it would be up to national policymakers to link this European package with reforms they consider indispensable at national level.

► Demonstrate why European cooperation is a win-win from a national perspective. Counter-narratives to authoritarian populist arguments should reflect national concerns. They should be constructively critical while explaining why the EU remains a **positive-sum game** from a national perspective. In some countries, the focus will be on socio-economic issues; in others, on security or migration; and in others, on all three.

Explaining the **added value** of European integration from a national perspective is also an indispensable basis for any new

'European narrative' capable of re-energising public support for the EU and developing a common functional vision of the EU's future. Any attempt to convince citizens of the added value of European integration must be a **bottom-up process**; it cannot be artificially constructed and dictated from above. It requires a firm belief in each member state that European cooperation is in its own interests. A win-win package deal can help in this endeavour, but it cannot be a substitute for **debate** at national level, which is one reason why the NPE project has aimed to foster the discourse about Europe's future in member states by establishing national reflection groups and organising public debates.

► Promote the ability of citizens to 'experience Europe'. The European Union should expand existing schemes that enable citizens to 'experience Europe' and identify more opportunities for them to do so. Extending the possibilities for **mobility** is very effective in developing intercultural skills and open-mindedness, the capacity to integrate with others, language skills, and a greater appreciation of the EU's benefits. Tangible initiatives could include extending existing programmes to reach people who, until now, have not had the chance to study and work in other EU countries, building on progress through the Erasmus or Leonardo programmes or the **European Solidarity Corps** and using them as models for more exchange schemes between people at different stages in their professional careers etc. Efforts should also be intensified both at EU and national level to provide school pupils with more opportunities to study in other EU countries. To this end, the **post-2020 EU budget** should allocate more resources to expanding the possibilities to 'experience Europe'.

*Any attempt to convince citizens of the added value of European integration must be a bottom-up process.*

**Citizens' Dialogue in Norcia with President of the European Parliament Antonio Tajani and Commissioner Tibor Navracsics, 4 October 2017.**
(European Commission)

# 3. Acknowledge citizens' concerns and boost their democratic participation

*But while people in the member states talk more and more about each other, they do not talk with each other.*

*Silos must be broken and attempts made to open the 'echo-chambers' where citizens receive one-sided information and only communicate with those who share their views.*

► **Take citizens' hopes and fears seriously rather than dismissing them as irrational**, exaggerated or irrelevant. Mounting support for populists in many countries is, in many ways, a symptom – and not the cause – of the problems facing liberal democracies in Europe and beyond. Authoritarian populists succeed when they can tap into people's **genuine grievances**; when citizens feel that their situation is at odds with their hopes, fears, and concerns; when they are dissatisfied with those in power and the state of representative democracy; when they increasingly distrust their governments, parliaments and/or the media.

These concerns are real and must be taken seriously, rather than being dismissed as irrational, exaggerated or even irrelevant. It would be a grave mistake to try to fight the populist phenomenon while losing sight of the underlying reasons for its success. There is a need at all levels of governance to reach out to, and interact with, citizens to understand their hopes and fears.

With respect to the EU dimension, the **Europe for Citizens programme** should be strengthened to enable civil society organisations to foster public debate about Europe's future. These debates should put a particular emphasis on initiatives aiming to bridge the **widening gap** between status-quo minded 'conservative traditionalists' concerned about the erosion of accustomed social, ethical and cultural norms, and progressive 'cosmopolitan globalists' who cherish the benefits of open societies, global mobility and multicultural diversity. The results of these dialogues should be analysed, summarised and disseminated to decision-makers both at national and European level.

Given that in today's **social media** world many people are no longer exposed to opposing views and verified facts, silos must be broken and attempts made to open the 'echo-chambers' where citizens receive one-sided information and only communicate with those who share their views. EU funds could be used to **test new methods** for interacting with citizens who are increasingly difficult to reach through traditional means (political parties; traditional media; civil society organisations etc.). They could also be used to co-fund activities in member states aimed at educating people to identify 'fake news' and political propaganda.

► **Listen also to the concerns of people from other EU countries.** Given the increasing interdependence between EU member states, there is a need to listen not only to the views of people in one's own country, but also in others. The poly-crisis of recent years has fuelled **interest** in, and knowledge of, the situation and developments in other EU countries. But while people in the member states talk more and more about each other, they do not talk with each other. More transnational dialogues are needed, involving 'ordinary' citizens as well as policymakers, experts and other stakeholders. They should go beyond the 'usual suspects' and include people who have not previously been exposed to EU affairs and critics of the European integration process. The NPE project has demonstrated that fostering **transnational dialogue** can help to counter stereotypes and dispel misperceptions, providing a clearer picture of other member states' concerns and fostering more self-critical analysis of one's own country. All this can help counter the simplistic and often counter-factual arguments about the EU and the situation in other member states.

► **Boost citizens' involvement in EU decision-making.** The authoritarian populists' success exposes widespread dissatisfaction with the existing state of representative democracy at all levels

**Syriza supporters gather in front of the Greek Parliament to back its demands for a renegotiation of bailout debt, 11 February 2015**
(AP PHOTO/YORGOS KARAHALIS)

of governance. Outdated democratic infrastructures that are no longer adequate or attractive enough to meet 21st century needs must be modernised to strengthen the **voice** of citizens and enable them to influence political developments.

At European level, action is needed to ensure that citizens can affect EU decision-making. These efforts should complement attempts to strengthen national democratic processes – not replacing them, as some national policymakers may fear. For example, new transmission mechanisms for genuine **public consultations** using modern communication channels could be developed, giving citizens the information they need and easy ways to access the system so they can have an impact on debates.

The European elections in **May 2019** could also be used as an opportunity to conduct a more **interactive** public debate about Europe's future, grounded in concrete proposals on progress in areas of concern to citizens. Politicians bidding to be the European political parties' *Spitzenkandidaten*

in the **European Parliament elections** could use this opportunity to elaborate, explain and discuss their priorities to European voters.

Finally, enhancing the Union's democratic dimension will, at some point in time, necessitate a profound reform of the EU Treaties, which will require ratification referenda in some member states. The introduction of transnational lists, enhanced democratic scrutiny of the Eurogroup, strengthening the European Parliament, or a further clarification of the division of competences between various levels of governance will require another **European Convention** to prepare changes to the Union's primary law and a reform of its institutional architecture. As this report has argued, now is **not the right time** for a major legal and institutional overhaul – it would be unwise to open this Pandora's Box in the current EU climate. But the win-win package deal of the type proposed in this report could help to restore trust among member states and win back public support, which will be the prerequisite for more substantial institutional EU reforms in future.

*Enhancing the Union's democratic dimension will, at some point in time, necessitate a profound reform of the EU Treaties.*

# 4. Constantly remind people of the true nature and objectives of authoritarian populists

*Once in power, they try to install an 'illiberal state' and seek to mix democracy with a substantial degree of illiberalism.*

*Authoritarian populists often make unrealistic demands and put forward policy proposals that neither they nor mainstream political forces can deliver.*

► **Authoritarian populists seek to divide and polarise societies.** They exploit divisions in societies to develop their 'us versus them' logic. Polarisation and antagonism are part of their political DNA: they are dividers who want to separate societies into two opposing camps and portray themselves as the champions of 'ordinary people' against a 'corrupt elite'. Their opponents must underline that populists seek to widen the divisions within and between societies, that they do not represent the will of 'the people' but rather only that of those who voted for them, and that respect for everyone's constitutionally guaranteed rights is essential.

► **Authoritarian populists seek to undermine the basic pillars of liberal democracies.** They may try to come to power through elections and portray themselves as democrats, but illiberal populists are undermining vital pillars of our open liberal democracies, including the rule of law, the separation of powers, minority rights, and the protection of basic civil rights and liberties. Once in power, they try to install an 'illiberal state' and seek to mix democracy with a substantial degree of illiberalism, limiting the powers of pluralist institutions, **discrediting** the very notion of **democracy**. Despite numerous examples in Europe and beyond, many voters doubt their real intentions. Citizens thus need to be constantly reminded of the true nature of authoritarian populists by explaining in detail what has happened in other countries where illiberal forces have misused their authority.

► **Proposals made by authoritarian populists are either unrealistic or economically ludicrous.** Authoritarian populists often make unrealistic demands and put forward policy proposals that neither they nor mainstream political forces can deliver. **Defenders** of liberal democracy must demonstrate that this is no coincidence: populists do this on purpose because they do not want the 'old establishment' to succeed. They rather want to be able to argue that their political opponents are not ready, willing or able to do what it takes to address 'the people's' concerns. If they win power, they do not necessarily seek to translate their words into deeds, but rather continue portraying themselves as an 'anti-establishment' force, often by invoking conspiracy theories that elites and 'foreign powers' acted behind the scenes to frustrate their efforts to introduce real change reflecting the will of 'the people'.

# The Way Forward

*It does not pretend to be a 'grand bargain' aspiring to solve all problems in one go with one giant qualitative leap forward.*

New Pact for Europe debate in Lisbon, March 2014.



This report argues that Europe needs to be re-energised. After years of multiple crises, the EU27 should exploit today's positive momentum. They need to overcome the blockages holding back progress in tackling crucial issues. They must convoke **political will and courage** to agree on a win-win package deal and confront the greatest challenge Europe is currently facing: the danger of a more regressive, nationalistic, closed, illiberal, and authoritarian Europe.

If they can seize the moment, there is potential for an '**EU renaissance**'. Through concrete deeds, the EU27 could demonstrate its ability to protect its members and citizens from potential future storms. Bolstering the defences of a protective Europe will help the EU regain trust and support. European cooperation is not an ideology: it is a necessity in an interdependent world in which individual countries cannot defend their values, interests and aspirations alone.

The EU must act collectively to strengthen its defences and withstand future turbulences. If the EU27 **fail to exploit** the window of opportunity, Eurosceptic forces will cheer and attract even more support among a growing number of disillusioned citizens.

To strengthen the EU's defences, to restore and consolidate trust among member states and between national capitals and EU institutions, and to regain the confidence of citizens and elites, the EU27 should agree on an **ambitious but realistic win-win package deal** along the lines of the one proposed in this report. It **does not pretend to be a** '**grand bargain**' aspiring to solve all problems in one go with one giant qualitative leap forward. It is less 'grand' in its objective, concentrating instead on the immediate future and aspiring to achieve **concrete progress** in the framework of the current EU Treaties. This report outlines the main components of a package deal involving intra- and cross-dimensional compromises that can help to overcome divisions between different camps both within and among member states.

While acknowledging that the actual outcome of negotiations among the EU27 would lead to a distinct compromise, the ambitions of this report are three-fold. First, it demonstrates that **sketching a win-win package deal is possible**. For each dimension, the report provides the rationale, basic objectives and concrete elements to be included in a bargain. Second, it hopes that by explicitly laying out such proposals, it can spark **national and transnational political debates about the future of Europe**, which is a central aspiration of the NPE project. Third, a deal that takes the various positions between and within EU countries into account can help to **counter the current fragmentation and growing polarisation of our societies**, which is the fertile ground on which extremist and authoritarian populists thrive.

The NPE High-level conference "Is there a need for a 'new pact' for Europe?", June 2015.

## NATIONAL AND TRANSNATIONAL DEBATES TO SECURE EXCHANGE AND OWNERSHIP

More public discussions are indispensable for two core reasons. First, elaborating a comprehensive agreement on future steps towards deeper cooperation and integration will involve **tough political choices**, which can no longer be pre-cooked by a limited number of actors behind closed doors. Second, the implementation of a package deal aimed at fixing some of the EU's remaining structural deficits will require **public support – a precious commodity and key challenge**, given that many people have turned their backs on the EU during the poly-crisis because of their dissatisfaction with the current state of the Union.

Generating public support for the implementation of such an EU27 bargain will require debate at national and transnational level. The experience of the NPE project has shown that discussions on the future of Europe are most constructive when they are based on tangible proposals rather than on a vague exchange of views about 'more or less' Europe or the EU's

ultimate destination (*finalité*), which lead nowhere given the many diverse opinions on Europe's long-term future.

What is needed now are more specific discussions at national level in as many member states as possible about what should be done in concrete terms in the years to come. The outcome of these debates could then inspire transnational discussions, which would allow people to talk *to each other* instead of talking merely about *each other*.

The NPE project has demonstrated that fostering transnational dialogue can help to counter **stereotypes** and dispel **misperceptions**, provide a clearer picture of other member states' concerns and encourage more self-critical analysis of one's country. To exploit the current momentum and more positive mood about the EU, this process should begin as soon as possible and involve a multiplicity of stakeholders ready to engage in a **critical but constructive** debate about the future of Europe.

*Tough political choices can no longer be pre-cooked by a limited number of actors behind closed doors.*

*The implementation of a package deal aimed at fixing some of the EU's remaining structural deficits will require public support.*

## BALANCING INCLUSIVENESS AND DIFFERENTIATION

*In today's much more complex and heterogeneous Union, however, an exclusive deal between the leaders of France and Germany will not be enough.*

*Reforms will require a strong impetus from an inclusive Franco-German initiative, which must consider the views of other member states and leave them ample room to contribute to the outcome of a collective process.*

The elaboration and subsequent implementation of an EU27 package deal, such as the one presented in this report, will require a strong impetus from an **inclusive Franco-German initiative**. German Chancellor Angela Merkel and French President Emmanuel Macron have committed themselves to a common effort to further strengthen the EU and their bilateral relationship in the years to come. Berlin and Paris will not find it easy to reach a compromise, given their differences on many policy options and on how ambitious EU reforms should be. The result of the German federal elections has not made things easier. But a Franco-German agreement is still feasible, given that both sides are aware that any substantial progress at European level will only be possible if they can strike a deal.

As in the past, a compromise between Berlin and Paris can constitute the basis for an overall deal. In today's much more complex and heterogeneous Union, however, an exclusive deal between the leaders of France and Germany will not be enough. To win broad support, a Franco-German initiative must consider the views of other member states and should leave them ample room to contribute to the outcome of a collective process at European level. Ignoring the interests of other countries (both big and small), or even discriminating against them, would run into opposition in many capitals, undermining the chances of exploiting the current momentum.

The win-win package deal presented in this report could help to inspire and promote this **inclusive process** given that it has been explicitly drafted with the interests, concerns and ambitions of the EU27 in mind. It reflects concerns in smaller and less influential EU countries that European decisions are heavily influenced or even dominated by the interests and views of specific member states, and that today's Union is struggling to balance national interests and reconcile diverging preferences within the wider context of the overall European interest.

As in the past, the implementation of the deal presented in this report would result in more differentiated integration, with different groups of member states intensifying cooperation in different policy fields. Fuelled by the willingness to move forward, greater differentiation will have to be guided by functional and pragmatic needs, and not by a desire to create a closed 'core Europe' (*Kerneuropa*) involving only a limited number of countries. The creation of an institutionalised two-tier Europe with diverse classes of membership is neither likely nor desirable. Multiple speeds should be the exception, unity the rule.

It is by no means certain that the EU27 will be able to reach a compromise. It will take **strong political will and even more political courage**. But this is what **leadership** is ultimately about: understanding the need for action, identifying opportunities, pre-empting potential risks, and taking concrete next steps while having a sense of the overall direction.

**Now is the time** for all Europeans to show such leadership. This report has demonstrated that there is a lot of work to be done and unfinished business to be completed, that there is a window of opportunity, that inaction would risk future crises, and that a win-win bargain to re-energise the EU and strengthen its ability to protect its members and citizens from future storms is possible. It is now up to all of us to respond to this call and for future generations of Europeans to judge us.

**Jean Claude Juncker, President of the European Commission, and Donald Tusk, President of the European Council, give a joint press conference ahead of the European Summit's dinner in Brussels, 19 October 2017.** (AURORE BELOT AFP)

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# Abbreviations

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| **AMIF** | Asylum, Migration and Integration Fund |
| **CARD** | Coordinated Annual Review on Defence |
| **CDP** | Capability Development Plan |
| **CEAS** | Common European Asylum System |
| **CETA** | EU-Canada Comprehensive Economic Trade Agreement |
| **CSDP** | Common Security and Defence Policy |
| **EASO** | European Asylum Support Office |
| **ECB** | European Central Bank |
| **EDF** | European Defence Fund |
| **EDIS** | European Deposit Insurance Scheme |
| **EIGS** | European Investment Guarantee Scheme |
| **EIPS** | European Investment Protection Scheme |
| **EMF** | European Monetary Fund |
| **EMU** | Economic and Monetary Union |
| **ESM** | European Stability Mechanism |
| **ESMA** | European Securities and Markets Authority |
| **EU** | European Union |
| **EURS** | European Unemployment Reinsurance Scheme |
| **FPÖ** | Freiheitliche Partei Österreichs |
| **IMF** | International Monetary Fund |
| **IOM** | International Organization for Migration |
| **MEP** | Member of European Parliament |
| **NATO** | North Atlantic Treaty Organization |
| **NPE** | New Pact for Europe |
| **PESCO** | Permanent Structured Cooperation |
| **PVV** | Partij voor de Vrijheid |
| **SME** | Small- and medium-sized enterprise |
| **SRF** | Single Resolution Fund |
| **TTIP** | Transatlantic Trade and Investment Partnership |
| **UK** | United Kingdom |

# Graphs

# Notes

# Notes

After years of multiple crises, the EU27 should re-energise the European project. This third NPE report, which is the culmination of five years of work reflecting more than 120 national and transnational debates throughout Europe, argues that the EU27 should have the political will and courage to agree on an ambitious but realistic win-win package deal to overcome deadlocks and counter the danger of a more regressive, nationalistic, closed, illiberal and authoritarian Europe, the greatest challenge we are currently facing.

The New Pact for Europe (NPE) initiative – launched in 2013 and steered by the King Baudouin Foundation, Bertelsmann Stiftung, Open Society Initiative for Europe and the European Policy Centre, supported by Calouste Gulbenkian Foundation, Open Estonia Foundation, the BMW Foundation and the Network of European Foundations – aims to rebuild trust through national and transnational dialogue and develop new common ground on the way forward for the European Union.

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