

# Time to move up a gear: the results of an insufficient summit

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# Summary

Despite all the public attention it received, the June 28-29 EU Summit will not make it into history books. There had been hopes that this European Council would be an important milestone on the path to elaborating a ‘win-win package deal’ reflecting the distinct interests and concerns of all member states – but it was not. It made progress, but it failed to live up to expectations, even though major issues for the future of Europe were up for discussion: migration, Economic and Monetary Union reform, security and

defence. EU leaders once again postponed many critical decisions until the end of 2018, and there are serious doubts that they will be able to reach worthwhile compromises ahead of the May 2019 European elections. The window of opportunity is closing quickly, and a significant number of governments do not seem eager to seek solutions. Even among those that aspire to make progress in the coming months, there are question marks over whether they will have the political capital, will, courage and clout to do so.

## 1. Introduction

Despite all the public attention it received, the June EU Summit will not make it into history books. It did not live up to the expectations raised when the Leaders’ Agenda was adopted in October 2017, even though major issues for the future of Europe were up for discussion: migration, Economic and Monetary Union (EMU) reform, security and defence.

At the end of 2017, hopes rose that EU leaders might attempt to – and succeed in – overcoming blockages and red lines to elaborate a ‘win-win package deal’ (as advocated by the New Pact for Europe project) reflecting the distinct interests and concerns of all member states. The June Summit was expected to be an important milestone on this path – but it was not.

The EU27 failed to achieve structural progress in key areas, for now at least. On migration, EU leaders avoided disaster by averting the Italian threat to block agreement on joint conclusions. But the results were mixed and the outcome unclear, and much more needs to be done in the coming months and years to advance the external dimension and reform the internal dimension of the EU’s migration, asylum and refugee policy. On EMU reform, the summit results were sobering, and it is questionable whether the Euro19 will have the political will and appetite to step up their efforts and agree on more substantial reform by the end of 2018. On security and defence, the Summit

Conclusions were neither surprising nor ground-breaking, but they demonstrated again that there is a broad consensus among member states on the need to enhance security and defence cooperation and assume more responsibility at regional and global level. But it is still unclear whether governments have enough ambition and determination to implement what they have agreed in recent years and at the June Summit. EU leaders (again) postponed many key decisions to the end of 2018, and there are serious doubts that they will be able to reach worthwhile compromises ahead of the May 2019 European elections. The window of opportunity is closing quickly, and a significant number of governments do not seem eager to seek solutions. Even among those that aspire to make progress in the coming months, there are question marks over whether they will have the political capital, will, courage and clout to do so.

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Despite all these difficulties, there is no reason to despair. The EU and its members can and should continue working on an ambitious but pragmatic package deal, even if the summit underlined just how difficult it is to reach compromises. It is unclear whether they will be able to agree on a set of substantial reforms before the current window of opportunity closes at the end of the year. Time is running out. But one thing seems inevitable: they will pay a high price if they opt instead to kick the can further down the road and continue to muddle through passively.

Three things would happen as a result of this.

- ▶ First, failure to deliver effective responses in the framework of a convincing package deal would further increase fragmentation and distrust among the EU27 – and trust is a very valuable but scarce commodity today.
- ▶ Second, if the EU cannot make progress, it runs the risk that its defences will (again) be too weak to weather future storms – and new turbulences will occur, although we do not know when, where and how they will hit us.
- ▶ Third, and most importantly, a lack of political will, courage, determination and leadership will play into the hands of anti-EU, anti-euro, anti-migration,

and anti-liberal forces. Political forces pushing our societies in a different direction will cheer and gain even more support among disillusioned voters at the European elections in May 2019, if those who defend liberal values and pluralist societies are not able to table a convincing narrative about the future of Europe on the basis of concrete results and credible objectives.

The time to deliver is now. That is why the inability to exploit the current window opportunity would not only affect the EU – the potential consequences would go much deeper, further challenge the pillars of our open liberal democracies and increase the polarisation of our societies, which is the fertile ground on which extremists and authoritarian populists thrive.

## 2. Expectations on the way to the June Summit

When the Leaders' Agenda was unveiled in October 2017, there were (high) hopes that the June 2018 Summit would be a decisive moment to push Europe forward. There was a spirit of renewed optimism regarding Europe's future and hopes that a potential window of opportunity might open after elections in France and Germany. Three critical topics for the future of Europe were on the agenda: migration, EMU reform, security and defence, and many in the EU institutions and a good number of those dealing with European affairs in national capitals thought that this might be the right moment to forge a bolder compromise between the EU27.

But optimism gradually faded as the months passed, with growing doubts that the June Summit would deliver decisive results. Delays in forming a new coalition government in Germany; increasing divisions between member states on key policy issues; Chancellor Angela Merkel's hesitation in responding to President Emmanuel Macron's reform proposals; a growing perception that many governments were sceptical that the time was ripe for more ambitious European reforms; and, last but certainly not least, a rising number of governments including EU-critical or even Eurosceptic parties throughout Europe. All these factors dampened expectations for the June meeting of the European Council.

At the same time, there were strong pressures and some positive developments pushing the EU27 to go beyond their political comfort zone: increasing geopolitical and economic uncertainties as a result of US President Donald Trump's actions aimed at dividing and destabilising the EU; heightened fears about the potential consequences of the new Italian government for the euro's stability; uncertainties over Europe's future after Brexit; the agreement between President Macron and Chancellor Merkel on joint EU reform proposals laid down in the

Meseberg Declaration just before the summit. All these factors increased the need, and maybe even the potential, to deliver more promising results at the EU leaders' meeting in June.

The pressure increased in the immediate run-up to the Summit. The unexpected political crisis in Germany, as a result of a political stand-off between Chancellor Merkel and Germany's Interior Minister Horst Seehofer and others in the Bavarian CSU, raised the political stakes.

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In an attempt to enhance the anti-migration profile of the CSU vis-à-vis the Alternative für Deutschland (AfD) ahead of regional elections in Bavaria in October, Minister Seehofer threatened to close Germany's borders unilaterally to reduce 'secondary movements' by asylum-seekers already registered in other member states. He said he would only abstain from doing so if there was EU-wide agreement by early July 2018 to introduce more effective controls on secondary movements or equivalent measures to achieve the same goal. Not only did this ultimatum undermine Chancellor Merkel's political authority, but it also risked a potential split between the CDU and the CSU. It could have led to the still very young federal grand coalition government imploding, probably ending the 13-year-old chancellorship of Angela Merkel and resulting



in a severe political crisis and vacuum in the biggest and most influential EU member state, with potentially adverse consequences beyond Germany.

It could also have had a knock-on effect at EU level: Austria and other countries were already threatening to close their borders, which would have shaken the basic foundations of Schengen. It could have also motivated Italy and other ‘first arrival’ countries to stop registering migrants and asylum-seekers, leading in turn to chaotic developments and severe negative effects on Europe’s migration, asylum and refugee policy. Ironically, this knock-on effect would have happened at a time when the EU is no longer experiencing an immediate migration/refugee crisis, with illegal border crossings into the EU down by 96% from their peak in October 2015.

A ‘mini-summit’ organised by the European Commission on the Sunday before the Summit involving the leaders of 16 member states (Austria, Belgium, Bulgaria, Croatia, Denmark, Finland, France, Germany, Greece, Luxembourg, Malta, Italy, Slovenia, Spain, Sweden and the Netherlands) failed to make sufficient headway,

further increasing the pressure to achieve progress at the ordinary June Summit and throw a political lifeline to the German Chancellor.

The pressure intensified still further when new Italian Prime Minister Giuseppe Conte threatened to veto the Summit Conclusions if other governments would not agree to a “radical change” in the Dublin principle. The latter makes frontline countries such as Italy responsible for dealing with asylum claims and allows for registered asylum seekers that move to another EU country to be sent back to the one they arrived in. All this increased public and media interest in the Summit, although with few expectations that EU leaders would be able to strike a substantial deal in this area.

As a result, the migration issue dominated the Summit and overshadowed a very long list of other issues on the agenda: EMU reform; security and defence; jobs, growth and competitiveness; innovation and digital; the Macedonian name issue; enlargement; the downing of MH-17; sanctions against Russia; the next Multiannual Financial Framework 2021-2027; Brexit; and the EP’s composition after the 2019 elections.

### 3. A hard-fought deal on migration and asylum: many questions and much to do

After Italian Prime Minister Giuseppe Conte threatened to veto the European Council Conclusions and all-night talks lasting almost nine hours, President Donald Tusk declared via Twitter at 4.34 AM that EU leaders had reached an agreement. The compromise, papered over huge differences between governments, strikes a balance between the concerns and demands of frontier countries in the south of Europe and the interests of those not experiencing large numbers of people arriving at their shores/borders. The migration deal struck at the Summit is mixed and imbalanced in terms of its content, and much more needs to be done in the coming months and years to boost the Union’s migration, asylum and refugee policy.

On the one hand, EU leaders avoided disaster by averting the threatened veto of the summit conclusions, and they did take a number of decisions, although these compromises failed to move beyond the lowest common denominator. They agreed to:

- ▶ introduce new mechanisms, including so-called “disembarkation platforms” and “voluntary controlled centres”;
- ▶ enhance Frontex;
- ▶ step up support for neighbouring countries and regions; and
- ▶ speed up work on the remaining parts of a legislative package aimed at reforming the Common European Asylum System (CEAS).

At the time of writing, it seemed likely that this combination of measures would ease political tensions in Berlin and thus enable Chancellor Merkel to stay in power (at least for the time being).

The June Summit showed more clearly than at any point since 2015 that member states are putting a strong emphasis on securing Europe’s external borders and making sure the numbers arriving in the EU remains low. In this area at least, the governments of the EU27 can strike compromises, declaring in the Summit Conclusions that the EU is determined to “prevent a

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return to the uncontrolled flows of 2015” and to “further stem illegal migration”. Provided that the Union can implement the measures and innovations adopted at the Summit in practice, they could help to keep numbers down – but they are not enough by far.

Many issues and questions related to the proposed innovations remain open, and it is unclear whether they will ever be successfully implemented. More fundamentally, the EU27 still cannot agree on proposals to enhance solidarity between member states. They continue to struggle to find a consensus on the internal reforms of the CEAS and the June Summit was (again) unable to make progress on reforming the Dublin regulation.

A significant number of governments, led by those in power in Hungary and Poland, resist any kind of (flexible) solidarity mechanisms obliging them to take a greater share of the burden, especially when it comes to dividing asylum-seekers and refugees among EU countries. Those on the other side of the political divide, including many governments and EU institutions, still hope that actions designed to safeguard the Union’s external border and reduce illegal migration will eventually create the preconditions for a deal on solidarity among member states and with those knocking on Europe’s doors – thus enabling the EU to live up to its international and European obligations and values and avoid becoming an inhumane ‘fortress Europe’.

It is, however, by no means certain that this can be done, and this is driving an increased momentum to forge coalitions of the ‘willing and able’, even if this would imply that some ‘unwilling’ member states will be left behind or (seen from the perspective of potential ‘outs’) spared from increasing efforts to show solidarity. However, it is not clear whether such ‘**differentiated solidarity**’ will materialise in the months and years to come. The readiness of member states, other than the countries of first arrival, to set up “controlled centres” on their territory will be another test of whether the ‘willing and able’ are ready to assume an even greater share of the burden.

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### **More solidarity would enable the EU to live up to its international and European obligations and avoid becoming an inhumane ‘fortress Europe’.**

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But one thing is certain: the June EU Summit might have bought time, but much more needs to be done in the months and years to come. Although the numbers arriving have sharply decreased since 2015/2016, migration pressures will not disappear. The issue will continue to dominate national debates in many countries inside and outside Europe. Worldwide, more

than 60 million people have fled their homes and around 20 millions of them are currently in the Union’s immediate neighbourhood. 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. So, the EU27 will be obliged to overcome their differences. But there are no silver bullets or shortcuts, so member states will continue to struggle to come up with adequate and effective internal and external responses.

The results of the June Summit are only one step on a long journey. It makes sense to have a closer look at them to assess the extent to which they move things in the right direction.

### **3.1 ESTABLISHMENT OF “DISEMBARKATION PLATFORMS”**

Aimed at undermining illegal migration and reducing the loss of life, the European Council “calls” on the Council and the Commission to “swiftly explore” the concept of so-called “regional disembarkation platforms”, set up in “close cooperation” with the UNHCR and the International Organization for Migration (IOM), who presented a detailed proposal for a “regional cooperative arrangement ensuring predictable disembarkation and subsequent processing of persons rescued-at-sea” ahead of the Summit. The basic idea is that people saved in search and rescue missions (i.e. before they reach the EU’s external borders) would be taken to these platforms outside EU territory to be ‘processed’ with a view to distinguishing economic migrants from those in need of international protection. Pressure to find more effective solutions had increased in the days ahead of the Summit, after the new government in Rome refused to allow rescue ships to disembark people rescued in the Mediterranean in Italian ports.

The creation of “disembarkation platforms” should not be confused with other proposals suggesting, for example:

- ▶ the creation of facilities outside the EU to send asylum-seekers whose claims have been rejected by the EU;
- ▶ the establishment of “processing centres” outside Europe where asylum-seekers would have to go if they want to claim international protection, so applications for asylum would no longer be filed on EU territory; or
- ▶ the idea of sending asylum-seekers, who have already arrived in the EU, to facilities outside Europe even before their asylum claims have been processed. All these ideas would be incompatible with international and European law.

The wording of the final Summit Conclusions was softened, with earlier drafts stating that the European Council “supports” the establishment of these platforms, whereas the final version merely calls on the Council and Commission to “explore” the concept. This reflects

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## Where will the EU be able to convince non-EU countries in Africa or the Western Balkans to host “disembarkation platforms”?

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doubts in a number of EU countries as to whether they are practically feasible and could be created in full respect of international and European law under the European Convention on Human Rights and the EU Asylum Procedures Directive.

There are a number of other practical and legal issues that need to be solved before “disembarkation platforms” could be successfully set up:

- ▶ **Where will they be established, and will the EU be able to attract/convince non-EU countries in Africa or the Western Balkans to host “disembarkation platforms”?** Some potential countries, including Tunisia and Albania, have already declared that they are not willing to do so. Most third countries fear that such centres could attract migrants, with large numbers of people ending up stranded on their territory.
- ▶ **Who would be ‘allowed’ to search for and rescue migrants trying to cross the Mediterranean Sea before they are brought to these platforms?** Elsewhere in the Summit Conclusions, EU leaders state that “all vessels” operating in the Mediterranean must “respect the applicable laws and not obstruct the operation of the Libyan Coastguard”. But this does clarify who would be allowed to transfer people to the platforms. In this context, one should remember that the European Court of Human Rights precludes the pushback of people rescued by European vessels.
- ▶ **Assuming there will be more than one “disembarkation platform”, where would those rescued be taken?** Will they ‘simply’ be transferred to the nearest facility or will there be a separate mechanism to determine which platform will welcome them?
- ▶ **Who will assess whether people arriving in these facilities are really in need of international protection?** The asylum agencies of member states (with very different asylum systems producing very different outcomes for applicants); a newly-created EU asylum agency (with common procedures and standards for processing claims); or the UNHCR? The latter option seems most likely, but does the UNHCR have the financial and staff resources to undertake this task and would the EU be ready/able to support these efforts adequately?
- ▶ **Will the EU be able to give partner countries some assurances that it will resettle those**

**deemed to be in need of international protection?** Is it likely that member states will in the current political climate be ready to provide sufficient resettlement places? Which EU countries will be prepared to accept them and on the basis of what (binding) criteria/quotas will they be distributed among member states? How quickly would successful claimants be moved to EU territory?

- ▶ **Who will effectively monitor and assure that the conditions at “disembarkation platforms” respect humanitarian standards?** The experience of recent years has shown that the EU struggles to uphold basic rules within its borders.
- ▶ Experience in the member states also shows that many asylum applications are denied because the claimant is deemed to be an economic migrant – **what will happen to those whose asylum claims are denied?** Will they stay in the country hosting a “disembarkation platform” (which these countries fear) or will the EU and IOM be able to ensure they can be returned to their countries of origin?
- ▶ Setting up and operating disembarkation platforms will be costly, so **will the Union and its members be ready to come up with the necessary means?** And will all EU countries be prepared to contribute if the finances come from outside the EU budget?
- ▶ Last but not least, do “disembarkation platforms” **risk increasing the “pull factor” and thus increase the number of people trying to reach Europe, as some member states fear?** Would the creation of such facilities really break the people smugglers’ business model or would those who seek to reach the EU not pay smugglers to help them to do so via the new “disembarkation platforms”?

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### 3.2 CREATION OF VOLUNTARY “CONTROLLED CENTRES” WITHIN THE EU

Following a proposal supported by France, Italy and Spain, the European Council also agreed that those who are “saved” on EU territory should be transferred to so-called “controlled centres” set up in the member states. These centres shall be created on a “voluntary basis” with “full EU support” to distinguish between “irregular migrants”, who shall be returned, and those in need of international protection, “for whom the principle of

solidarity” would apply. Reflecting concerns of the four Visegrád governments, all “measures in the context of these controlled centres” (including relocation and resettlement) will be on a “voluntary basis”.

The European Council would not have been able to agree on joint conclusions on migration if the proposal to establish the voluntary “controlled centres” had not been added to the final text. However, as in the case of “disembarkation platforms”, there are a number of issues that remain unclear and questions to be answered:

- ▶ **Which EU countries will be willing to establish such centres?** Only Greece has thus far signalled its readiness to do so, raising questions over whether these centres would replace already existing ‘hotspots’. Some countries, like France, have already rejected setting up “controlled centres” themselves, and others, including Germany and Italy, remain undecided.
- ▶ **What would “controlled” actually mean in practice?** How long would migrants, refugees or asylum-seekers remain in these centres and what would be done to make sure that asylum proceedings are short and do not take as long as they have, for example, in Greek and Italian hotspots?
- ▶ **How many of those saved on EU territory would be transferred to these centres?** Would the new mechanism apply to all of them or merely to a selected group of people?
- ▶ **Would those countries unwilling to set up “controlled centres” (be obliged to) support others in doing so and, if so, how would they (have to) contribute?**
- ▶ **Will these centres be able to ensure rapid and fair processing of asylum claims and the return of those rejected to their countries of origin or to other third countries where their rights will be fully respected?** Will the creation of these centres be accompanied by the conclusion of effective readmission agreements with countries of origin and transit? And will the EU be ready to provide the necessary incentives for third countries to make this happen, including more channels for legal migration?
- ▶ **What would happen to people deemed to be in need of protection?** Would their claims be processed in the country hosting the respective controlled centre” or would they be transferred back to the member state that “saved” them?
- ▶ **Finally, is it possible that the creation of voluntary “controlled centres” would (to some extent) eliminate the need to relocate people among EU countries?** But how can this be the case, if member states, like France, Germany and others, who are not first-arrival countries and not willing to create such centres? If they would be ready to establish such centres, they could (further) reduce the burden from countries like Italy, Greece, Spain or Bulgaria.

### 3.3 MORE FLEXIBLE FINANCIAL INSTRUMENTS

Following a proposal made by President Tusk, EU leaders have underlined the need for more “flexible instruments” in the context of the next Multiannual Financial Framework (MFF), allowing for “fast disbursement” of funds to combat illegal migration. These funds should, in future EU budgets from 2021 onwards, include “significant components” for external (not internal!) migration management.

### 3.4 ENHANCEMENT OF FRONTEX

The European Council reiterated the need to further strengthen the role of Frontex through “increased resources” and an “enhanced mandate”. However, EU leaders did not specify what this would mean in concrete terms. The Summit Conclusions do not refer to a Commission proposal to strengthen border control by enabling the European Border and Coast Guard to deploy 10,000 border guards (instead of 1,500 now), boosting its powers in the field of return and allowing it to operate fully in partner countries outside the EU.

### 3.5 SECONDARY MOVEMENTS

On the issue most heavily disputed within the German government, the Summit Conclusions state, in line with one of Chancellor Merkel’s main arguments, that secondary movements of asylum-seekers between member states “risk jeopardising the integrity” of the CEAS and the Schengen acquis. However, EU leaders did not specify in concrete terms how to address this challenge. The Conclusions merely state that member states should take all “necessary internal legislative and administrative measures” to counter such movements and should “closely cooperate” with each other.

This indicates that governments should seek bilateral and/or trilateral agreements between themselves on how to counter and reduce secondary movements, while fully respecting European norms. The Greek and Spanish prime ministers have already declared their readiness to conclude agreements to take back asylum-seekers already registered in their countries. Chancellor Merkel also announced at her press conference after the Summit that there are other governments which have signalled their readiness to reach such agreements with Germany, strengthening her hand in the battle with her interior minister. Furthermore, the conclusion of bi- or trilateral agreements could not only help to deal with secondary movements but could also enable the voluntary relocation of asylum seekers in line with the logic of ‘differentiated solidarity’.

The Commission has also proposed a number of additional measures on secondary movements. These include:

- ▶ revising the Reception Conditions Directive, allowing member states to deny housing and money to asylum



seekers they are not responsible for and to impose residency restrictions by compelling migrants to live in a specific place; and

- ▶ a reinforced Eurodac fingerprinting database to facilitate returns at the border.

### 3.6 SUPPORT FOR TURKEY, AFRICA AND THE WESTERN BALKANS

The European Council reiterated its readiness to support third countries and regions to try to ensure that these partners continue to support the EU in keeping the numbers of people arriving and staying in Europe as low as possible.

Concerning **Turkey**, EU leaders state that “additional efforts” are needed to fully implement the EU-Turkey Statement of March 2016 to prevent new crossings from Turkey to Bulgaria and Greece (which have increased in recent months) and to bring the remaining flows to a halt. In return, the European Council agreed to launch the second (€3 billion) tranche of the Facility for Refugees in Turkey, which will be financed partly from the EU budget (€2 billion) and partly through contributions from EU countries based on their share of the Union’s gross national income (€1 billion).

Regarding **Africa**, the Summit Conclusions reiterate that tackling the “migration problem” requires an enhanced partnership aimed at a “substantial socio-economic transformation” of the continent. These efforts should build on the “principles and objectives” defined by the African Union in its Agenda 2063, a strategic framework for the socio-economic transformation of the continent over the next 50 years. EU leaders agreed to transfer €500 million from the European Development Fund (EDF) to the EU Trust Fund for Africa and called on member states to fulfil their promises to contribute further to the Fund “with a view to its replenishment”. But as with previous European Council statements, EU leaders underline that more development funding is not enough.

There is also a need to substantially increase private investment from African and European sources, with a particular focus on “education, health, infrastructure, innovation, good governance and women’s empowerment”. There is, however, no mention in the Summit Conclusions of the need to create more legal avenues of (economic) migration and reform EU policies – including the Common Agricultural Policy, the Common Commercial Policy and the Common Fisheries Policy – that negatively impact on countries of origin and transit.

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With respect to the **Western Balkans**, the Summit Conclusions (once again) state that cooperation and support for partners in the region remain key to exchange information on migratory flows, prevent illegal migration, strengthen border protection capacities, and improve return and readmission procedures.

### 3.7 REFORM OF THE COMMON EUROPEAN ASYLUM SYSTEM

EU leaders underline the need to find a “speedy solution” to the CEAS legislative reform package, which sets minimum standards for the treatment of all asylum-seekers and applications across the Union. Under current rules, asylum-seekers are treated very unequally, and the share of positive asylum decisions varies greatly across the EU regarding both speed and recognition rates.

Five of the seven legislative proposals on asylum reform (Receptions Conditions; Asylum Qualification; Asylum Agency; Eurodac; Resettlement Framework) initiated by the Commission in 2015 are almost ready to be concluded by the European Parliament and Council. On the remaining two – related to:

- ▶ the reform of the Dublin System, which aims to create a system for allocating asylum applications among member states; and
- ▶ the Asylum Procedures, which aims to reduce differences in recognition rates, discourage secondary movements and ensure common effective procedural guarantees for asylum seekers – member states are struggling to reach agreement.

The European Council thus calls on the Council to continue its work “with a view to concluding as soon as possible”.

The Commission had proposed that the Summit Conclusions should call for the adoption of the five already agreed proposals by the end of July 2018, but this did not find its way into the final text, demonstrating the reluctance of some member states to make progress on asylum reform. A progress report will be presented at the October summit, but an explicit call for the Austrian Presidency to “continue work” which was included in earlier drafts was not in the final version of the European Council Conclusions.

## 4. Future of EMU: no significant decisions (yet?)

The main item discussed on Day 2 of the June Summit was the future of EMU. It was supposed to be the first thorough debate at the highest political level in years, but EU leaders concentrated on a very limited number of issues instead of having a comprehensive and in-depth exchange on the wide array of potential euro area reforms. The final statement is very short, and leaders agreed to come back to the issue in December (a proposal from President Macron to have another Euro Summit in October was rejected). In sum, the result of the June Euro Summit is sobering, and it remains to be seen whether governments will have the political will and appetite to move forward and whether the EURO19 will be able to overcome their marked differences to agree on more substantial EMU reform by the end of this year.

In line with the Leaders' Agenda and as agreed in December 2017, the Euro Summit (meeting in an inclusive format also involving non-euro countries) took decisions related to the completion of the Banking Union and further development of the European Stability Mechanism (ESM). The exchange also involved European Central Bank President Mario Draghi and Eurogroup President Mario Centeno, who had written to President Tusk in the days before the Summit setting out some potential elements for a further deepening of EMU, reflecting and summarising discussions in the Eurogroup while also highlighting a significant number of major differences among the EURO19.

Centeno's letter takes the Franco-German initiative agreed in the framework of the Meseberg Declaration into account but also mirrors strong criticism from a large number of mostly northern euro countries (the so-called "new Hanseatic league", led by the Netherlands) of the joint proposals made by Chancellor Merkel and President Macron. They are particularly critical of the idea of introducing a "Eurozone budget", which Berlin and Paris agreed on in principle, without however specifying details on its overall size, precise functions, governance or funding mechanism. Critics of the idea fear that it could:

- ▶ grow over time and eventually lead to a transfer union; and
- ▶ send the wrong signal to the Union's deficit-prone countries, (further) undermining their reform readiness at national level.

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**This call is a tiny step towards having an honest debate and concrete decisions about EDIS.**

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There was no in-depth discussion on the overall future of EMU at the Euro Summit. Instead, EU leaders decided

to "come back to these issues" in December, without specifying which topics they will concentrate on then. This delay came as no surprise, given that the Franco-German initiative was adopted only ten days before the Summit. On completing the **Banking Union**, the Euro Summit Statement declares that work should start on a "roadmap for beginning political negotiations" on the European Deposit Insurance Scheme (EDIS) once co-legislators have adopted the banking package by the end of 2018. This call is a tiny step towards having an honest debate and concrete decisions about EDIS. It signals that a significant number of euro countries, including Germany, are still very sceptical about the idea.

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**It is not clear which issues will (or will not) be discussed in December when EU leaders will come back to the topic of EMU reform.**

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On further development of the **European Stability Mechanism**, the Euro Summit (unsurprisingly) agreed on two things:

- ▶ The Mechanism will provide the common backstop to the Single Resolution Fund (SRF); and
- ▶ The ESM will be strengthened "working on the basis of all elements of an ESM reform" as set out in the Eurogroup President's letter. However, decisions on the details have again been postponed until December.

Meanwhile, the Eurogroup will prepare the "terms of reference" for the common backstop and agree on a "term sheet" for the ESM's further development. In more concrete terms, the EURO19 still have to decide when the common backstop will be put in place, how big it will be, and which governance structures shall apply if decisions on its use need to be taken in future.

From a more general perspective, the Euro Summit Statement is very vague. It is not clear which issues will (or will not) be discussed in December when EU leaders will come back to the topic of EMU reform. However, the list of potential issues is very long, and the positions of national capitals vary immensely.

A look at the Meseberg Declaration, the Commission's EMU reform proposals and President Centeno's letter underlines the diversity of potential issues to be tackled related to EMU reform, including, among others:

- ▶ a **stronger role for the ESM in designing and monitoring programmes** in liaison with the Commission and the ECB (Centeno letter);

- ▶ a further development of the **precautionary ESM credit line** (PCCL) to be used as a tool to fight contagion if ESM members risk a gradual loss of market access, without the need for a full programme (Meseberg; Centeno letter);
- ▶ the **ESM's capacity to assess the economic situation** in member states (without overlapping with the Commission's role) (Centeno letter);
- ▶ the potential introduction of **Collective Action Clauses (CACs) with single-limb aggregation** into sovereign bonds contracts, facilitating a restructuring of sovereign debt while giving the ESM an IMF-like role in facilitating debtor-creditor negotiations (Meseberg; Centeno letter);
- ▶ the establishment of a European Investment Stabilisation Function to mobilise up to €30 billion in loans to help stabilise public investment levels and facilitate rapid economic recovery in cases of large asymmetric shocks, on the basis of strict eligibility criteria (Commission);
- ▶ the potential establishment of a **European Unemployment Stabilisation Fund** in case of severe economic crises (on the basis of loans, not transfers) (Meseberg; Centeno letter);
- ▶ the introduction of a **Reform Support Programme** able to provide financial and technical support for priority reforms in all EU member states, with a targeted facility for countries wishing to join the euro area (Commission);
- ▶ the integration of the substance of the **Treaty on Stability, Coordination and Governance** (Fiscal Compact) into EU law (Commission);
- ▶ a further **reduction of non-performing loans** (NPLs) on EU banks' balance sheets through a package of initiatives (Commission);
- ▶ **external representation** of the euro area through the progressive establishment of a unified representation in the IMF (Commission);
- ▶ introduction of a **European Minister of Economy and Finance** (Commission); and, last but certainly not least,
- ▶ the introduction of a **multiannual "Eurozone budget"** within the EU framework to promote competitiveness, convergence and stabilisation in the euro, starting in 2021 (Meseberg).

The above list is not exhaustive and does not reveal the depth of the divisions between member states, EU institutions, other institutional actors and within the expert community. But the plethora of proposals shows the variety of potential issues that might be discussed in the framework of EMU reform in the months to come – provided that the EU and its members have the political capital, will, determination and courage to elaborate the complex elements of a substantial EMU reform package.

But one thing is clear: despite some remarkable reform achievements since the outbreak of the financial and euro-area crisis, many of their underlying causes remain unresolved, leaving the euro area vulnerable to future storms and potential real-life stress tests. The EU still has a long way to go to complete EMU. There is thus no room for complacency at either European or national level. Collective efforts to overcome remaining structural deficiencies have, however, lost momentum since 2012, with the receding danger of a euro meltdown undermining the willingness of many governments to overcome deep divisions and take bold decisions.

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### **EU leaders have kicked the can back to the Eurogroup without giving it clear political guidance.**

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The June Summit did not mark the beginning of a new attempt at the highest political level to agree on a set of concrete and compulsory EMU reforms to be implemented in the years to come. EU leaders have kicked the can back to the Eurogroup without giving it clear political guidance. Discussions in the Eurogroup will continue, and we will have to wait and see whether EU governments and institutions will use the time until the end of 2018 to prepare for a real round of debates and decisions on further structural reforms of the common currency area – or whether this opportunity will (once again) be lost.

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### **The jury is still out on the extent to which Macron (and Merkel?) will fight for a further solidification of Europe's currency and whether these struggles will produce tangible results.**

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Failing to progress on EMU reform would be a major defeat for President Macron, who has invested significant political capital in this and regards advancing monetary union as a cornerstone of Europe's future. Strengthening the euro has been at the heart of his plans to combat nationalist forces in France and other EU countries. The jury is still out on the extent to which Macron (and Merkel?) will fight for a further solidification of Europe's currency and whether these struggles will produce tangible results. Meanwhile, the French President presented himself as an essential facilitator at the June Summit on issues related to migration. Macron might ask his European Council colleagues to return the favour when EU leaders revert to the discussions on the future of EMU.

## 5. Security and defence: broad consensus, but will EU countries deliver?

The third core element of the European Council Conclusions relates to security and defence. Unlike with migration and EMU reform, EU leaders did not have a detailed discussion on this, reflecting the broad consensus among member states. Instability in Europe's neighbourhood and uncertainty over US commitment to Europe's security and defence have raised fundamental questions about member states' responsibility for their security and the EU's role in defence matters. However, it is still not clear whether member states have the required ambition and determination to implement what they have agreed in recent years and at the June EU Summit.

As in previous European Council Conclusions, EU leaders once again emphasised that Europe must take greater responsibility for its security and defence. To achieve this, they want the Union to take steps to bolster European defence by "enhancing defence investment, capability development and operational readiness". With increased pressures from Washington in mind, EU leaders emphasise that these initiatives shall strengthen the Union's strategic autonomy while "complementing" and "reinforcing" the activities of NATO. The strong links between the Union and NATO were also confirmed by the fact that EU leaders, once again, had an exchange with NATO Secretary-General Jens Stoltenberg at the start of the June Summit.

The Summit decisions also sent a clear signal that the EU27 might be struggling to move forward on migration and asylum policy and EMU reform, but they are united and willing to progress in the area of security and defence. The broad consensus on security and defence matters could also help to coalesce an overall package deal, by contributing to a political context conducive to a more constructive debate on the future of EMU and migration/asylum policy.

Coming back to the concrete decisions of the June EU Summit in the area of security and defence, the European Council:

- ▶ calls for the fulfilment of commitments agreed in the framework of Permanent Structured Cooperation (PESCO) and asks the Council to approve a "next set of projects" in November 2018. It remains to be seen whether the next list of projects will be more ambitious and more aligned with the Union's actual capability gaps identified in the recently updated Capability Developments Plan;
- ▶ welcomes progress on military mobility in the framework of PESCO and EU-NATO cooperation and now expects the military requirements under the EU Action Plan on military mobility to be finalised. It also calls on member states to "simplify and standardise relevant rules and procedures" by

2024. These efforts will be reviewed annually on the basis of a report by the Commission and the High Representative (starting in spring 2019);

- ▶ calls for the "swift implementation" of the European Defence Industrial Development Programme and "further progress" on the European Defence Fund (EDF) in both its research and capability windows;
- ▶ welcomes the work undertaken to strengthen civilian CSDP and calls for an agreement on a "civilian CSDP Compact" by the end of 2018;
- ▶ welcomes the Joint Communication on Europe's resilience to hybrid and Chemical, Biological, Radiological and Nuclear-related threats, and calls for the adoption as soon as possible of a new EU "regime of restrictive measures" to address the use and proliferation of chemical weapons;
- ▶ invites the High Representative and the Commission to present an action plan by December 2018 with "specific proposals for a coordinated EU response to the challenge of disinformation", including "appropriate mandates and sufficient resources" for the relevant EEAS Strategic Communications teams;
- ▶ stresses the need to strengthen capabilities against cybersecurity threats from outside the EU;
- ▶ calls for further coordination between member states and at EU level and in consultation with NATO, to "reduce the threat from hostile intelligence activities";
- ▶ calls for further deepening of EU-NATO cooperation including through a new Joint Declaration and the "related proposals for action".

The Summit Conclusions are neither surprising nor ground-breaking, but they testify once more to the broad consensus between EU member states on enhancing cooperation in this area. This reflects the rising number of external threats and insecurities facing Europe. Recent actions, statements and assertions by President Trump, including on NATO, have further increased uncertainties about the future of the global multilateral order, increasing the need for Europeans to assume more responsibility – and more are likely to come. Regional and international geopolitical pressures are a strong centripetal force for the EU to get its act together and there is broad public support for this, with an overwhelming majority of people across Europe (around 80%) keen for the EU to assume a more active role in world affairs.

Against this backdrop, the EU and its members have made some remarkable progress since 2016, driven



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**The Summit Conclusions are neither surprising nor ground-breaking, but they testify once more to the broad consensus between EU member states on enhancing cooperation in the area of defence.**

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by a renewed sense of urgency reflected in the EU Global Strategy, and the decisions taken at the June European Council continue down this path. The EU27 are gradually creating mechanisms that pave the way for deeper European defence cooperation and to strengthen the Union's strategic autonomy. Despite distinctive geopolitical concerns/interests and different strategic cultures, member states are more aware than ever that they need to deepen cooperation to ensure their collective 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 creating more common ground and ambition among the member states on progress towards stronger defence cooperation.

But it will take time for all these efforts to produce results, and they will ultimately depend on the extent to which national governments continue to invest political capital and financial resources in a collective effort to enhance cooperation. The current momentum needs to be maintained to ensure that commitments are implemented over time, which has not always been the case in the past. Member states still have to prove that they have the will and endurance to accomplish this. Progress will depend on national leaders driving it through regular discussions at the highest political level in the European Council. That is why EU leaders have to revert to this issue continuously, as they did at this Summit.

However, the jury is still out as to whether the EU27 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 protecting their prerogatives and interests. The challenge is not so much to establish new mechanisms and structures, but rather to ensure that they deliver and advance Europe's strategic autonomy.

Despite the progress of recent years, there is a need 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 efforts at EU level do not aim to constrain national prerogatives, but to augment the Union'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. But enhancing the Union's strategic autonomy requires more than capabilities; it also depends on a joint assessment of risks and priorities for action and the conjunction of distinct national strategic cultures. The Union has made progress, but it still has a long way to go.

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## 6. Other issues on the agenda

EU leaders also discussed and took decisions on a number of other more or less significant issues:

### 6.1 JOBS, GROWTH AND COMPETITIVENESS

On **jobs, growth and competitiveness**, the European Council:

- ▶ concludes the 2018 European Semester, endorsing the **integrated country-specific recommendations** while calling on member states to use the current good economic situation to strengthen the reform momentum;
- ▶ reiterates that **fair and effective taxation** remains a key priority and that the fight against tax avoidance, evasion and fraud must be vigorously pursued both at global level (notably in the OECD) and within the EU;
- ▶ calls on the Council to take work forward on the Commission's proposals on **digital taxation**;
- ▶ in light of a potential escalation of the trade conflict with the current US Administration, underlines the importance of **preserving and deepening the rules-based multilateral system** and invites the

Commission to propose a **comprehensive approach to improving the functioning of the World Trade Organization** (WTO);

- ▶ as part of its positive trade agenda, the EU will continue to **negotiate ambitious, balanced and mutually beneficial trade agreements**;
- ▶ asks co-legislators to swiftly adopt the proposal on the **screening of foreign direct investments**;
- ▶ in reaction to Trump's decision to impose tariffs on steel and aluminium products, fully supports the **rebalancing measures, potential safeguard measures to protect EU markets, and the legal proceedings at the WTO**, as decided on the initiative of the Commission.

## 6.2 INNOVATION AND DIGITAL

On **innovation and digital**, the Summit Conclusions state that:

- ▶ Europe must **further develop its high-quality research** across the EU and turn it into new products, services and business models;
- ▶ it is vital to deliver on the remaining legislative proposals concerning the **Digital Single Market Agenda** before the end of the current parliamentary cycle;
- ▶ the Commission should work with member states on a coordinated **plan on Artificial Intelligence**;
- ▶ there is a need to **improve access to finance for businesses**;
- ▶ the Commission shall launch a new **pilot initiative on breakthrough innovation** within the remaining period of Horizon 2020; and
- ▶ a **European Innovation Council** will be set up under the next MFF to identify and scale up breakthrough and disruptive innovation – a proposal that got a political boost when President Macron listed it as one of his reform priorities.

## 6.3 MACEDONIAN NAME ISSUE; ENLARGEMENT; DOWNING OF MH-17; RUSSIA SANCTIONS; MULTIANNUAL FINANCIAL FRAMEWORK; BREXIT; AND COMPOSITION OF THE EP

On the **Macedonian name issue**, the European Council strongly welcomes and supports the agreement reached between the former Yugoslav Republic of Macedonia and Greece, although there is still a long way to go before it becomes a reality.

On **enlargement**, EU leaders endorsed the conclusions adopted by the General Affairs Council on 26 June, including “setting out a path” towards opening accession

negotiations with Tirana and Skopje in June 2019. This decision was taken after intense discussions, with France, Denmark and the Netherlands raising strong objections to the start of membership talks.

On to the **downing of Malaysia Airlines flight MH-17** in July 2014 in the context of the military stand-off between Ukraine and Russia, the European Council reiterated its full support for UNSC Resolution 2166 and called on the Russian Federation to accept its responsibility and to “fully cooperate with all efforts to establish truth, justice and accountability”.

On **sanctions against Russia**, EU leaders extended them for another six months until the end of January 2019 as Moscow has failed to demonstrate complete implementation of its commitments in the Minsk Agreement and respect for Ukraine's sovereignty. During the Summit, Chancellor Merkel and President Macron reported on the state of affairs regarding the implementation of the Minsk Agreement.

On the next **Multiannual Financial Framework** for 2021-2027, the debate among EU leaders was not on substance but rather concentrated on the timing of negotiations. The Summit Conclusions merely state that the European Council “takes note” of the package of MFF proposals presented by the Commission in early May 2018 and “invites” the European Parliament and the Council to examine these proposals in a “comprehensive manner” and “as soon as possible”. It is thus still unclear whether the EU27 will attempt to reach a compromise before the European elections in May 2019 or if the final negotiations on the next MFF will take place in 2020. The Commission and some EU leaders, including Chancellor Merkel, aspire to an early MFF agreement, but experience, very divergent views about Europe's future budget and the loss of funding due to Brexit suggest concluding the negotiations by early 2019 is highly ambitious.

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On **Brexit**, the discussion between the EU27 was very short, and once again, there was overwhelming unity between leaders – but also an increasing sense of urgency. The Conclusions of the European Council Article 50 meeting issued a strong warning about the slow progress in Brexit negotiations: in the words of Dutch Prime Minister Mark Rutte: “Time is getting shorter and

shorter to get to an agreement. We don't have time." Following an exchange with Chief Negotiator Michel Barnier, who gave EU leaders a presentation on the state of talks, the EU27 expressed their concern that there had been "no substantial progress" on a backstop solution for Ireland and Northern Ireland. They also insisted on the need for "intensified efforts" to conclude the Withdrawal Agreement, including its provisions on transition, "as soon as possible", to come into effect on the date of withdrawal (30 March 2019).

The Conclusions also state that work must be accelerated to prepare a political declaration on the framework for the future relationship. Aware of the serious differences of opinion within the government in London, EU leaders call for "further clarity" and "realistic and workable proposals" from the UK on the future relationship. According to President Tusk: "This is the last call to lay the cards on the table." At the same time, the EU27 stated that the Union would

be prepared to "reconsider its offer" (in line with its principles) if the "UK positions were to evolve". It is a clear message to Prime Minister May and others in the UK government that the EU would be prepared to make a somewhat better Brexit offer if London softens some of its red lines. Aware of the increased danger of a (very) hard Brexit, the European Council renewed its call upon member states, EU institutions and other stakeholders to "step up their work on preparedness" at all levels and "for all outcomes".

On the **composition of the European Parliament** and in accordance with the schedule of the Leaders' Agenda, the European Council took a decision related to the 2019-2024 parliamentary term. In line with the European Parliament's proposal, the total number of parliamentarians is set at 705, ranging from 6 to 96 MEPs per member state. Interestingly, the decision also specifies what shall happen if UK is still an EU member after the May 2019 elections.

## 7. Next steps and prospects: hope dies last

The June EU Summit avoided the threat of disaster and took decisions on a variety of issues. It covered a vast number of topics, but it remains to be seen whether what has been decided at the Union's highest political level will be implemented in practice.

In late 2017, there were hopes that the new sense of optimism which has spread since the end of 2016 would spark a new EU momentum. Some – including those involved in the **New Pact for Europe** project – thought the time had come to 're-energise Europe', with member states attempting and managing to overcome blockages and red lines to elaborate a 'win-win package deal' reflecting the distinct interests and concerns of all member states and their citizens; a compromise that would move Europe forward in an ambitious but pragmatic fashion; a deal that would counter the danger of a more illiberal Europe.

It was hoped that the June Summit would be an important milestone on this path – but it was not.

The EU27 have not been able to achieve structural progress in crucial areas, at least not up until now. On migration, the Union is still struggling to bridge the fundamental divide between two camps. On one side are those who argue that Europe must, first and foremost, counter the sense of insecurity among its citizens and protect itself from potentially overwhelming numbers of people trying to reach the 'old continent'. The numbers in this 'security camp' has grown and they are loudly vocal at all levels. On the other side are all those who insist on the need to boost solidarity among EU countries, with those knocking on Europe's doors, and with countries of origin and transit. Many in this 'solidarity camp' agree that more

needs to be done to enhance security, but also feel that this should not lead to an inhumane 'fortress Europe' betraying its fundamental values and beliefs.

Although the pressure of migration has decreased – with the numbers arriving in Europe down dramatically since the 2015 peak – political and societal divisions between and within countries have grown. The political battles that took place surrounding and during the June Summit clearly showed that the Union is confronted with a much deeper political and cultural crisis that threatens one of the biggest achievements of European integration – Schengen – with potentially grave consequences for the entire European project.

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The Summit also exposed the continuing divisions over the future of Economic and Monetary Union, where member states are struggling to balance the expectations of two other major camps. On one side is the 'responsibility and competitiveness camp' who want a strict(er) 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 to enhance Europe's global competitiveness in an increasingly

challenging and confrontational economic environment. On the other side are all those belonging to the ‘solidarity and caring camp’, who want more flexible and smarter rules with greater discretion, the creation of common risk-sharing mechanisms, the introduction of financial instruments to support countries suffering from large asymmetric economic shocks, more support from the European level for national reform efforts, more fiscal room for public investment, and actions to (further) reduce macroeconomic imbalances. The understanding between France and Germany set out in the Meseberg Declaration indicate some progress in overcoming this fundamental divide, but the June Summit once again underlined that the EU27 and the Euro19 will have to move further if they want to agree on a concrete and compulsory roadmap for additional EMU reforms to be implemented in the years to come.

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### **It was hoped that the June Summit would be an important milestone – but it was not.**

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Despite these divisions on migration and the EMU, the June European Council also showed that cooperation in the area of security and defence differs from the two other cornerstones of Europe’s future. In this area, there are no major ‘opposing camps’ whose difference need to be bridged. Yes, there are distinct geopolitical priorities and distinct national strategic cultures. But there is a strong consensus across Europe that member states need to deepen cooperation to defend their interests in an increasingly volatile and uncertain regional and global environment – a consensus that will further increase if President Trump continues to challenge and undermine the existing multilateral economic and political order. The experience of the recent G7 summit points in that direction. However, it remains to be seen whether the indisputable need to assume more regional and global responsibility will have a positive spill-over effect in the areas of migration and EMU reform – the jury is still out.

The June Summit (again) postponed many critical decisions to the end of 2018, and it is by no means certain that the EU27 will be able to reach a worthwhile compromise ahead of the European elections. The window of opportunity is closing quickly, and a significant number of governments are not eager to seek solutions. Some are passive; others are actively obstructing reforms for a variety of reasons. Some capitals feel excluded and side-lined by the revival of the Franco-German tandem. Some, especially outside the euro area, fear a further deepening of EMU integration might discriminate their countries. Others believe that additional reforms are either not necessary or maybe even counterproductive. Many do not share a sense of urgency and doubt that the current political climate is ripe to enhance levels of cooperation at European level. The most obstructive political players (inside and outside government) are in an outright ‘destructive mood’ hoping that their

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anti-EU, anti-euro, anti-migration rhetoric and policies will sustain or increase their political attractiveness and power at home. They do not care about Europe; they care about themselves. They believe that ‘less Europe’ would give them more room for manoeuvre at national level – even if this is an illusion in a highly complex and interdependent environment in which no European country will be able to defend its interests and values on its own.

The key question for EU institutions, governments and leaders aspiring to push things forward in Europe is whether they have the political capital, will, courage and clout to do so. The EU institutions are approaching the end of the current political cycle; the political crisis in Germany has weakened chancellor Merkel; French President Macron is very active and ready to push reforms at national and EU level but is facing the lowest levels of support since he assumed power in May 2017. Both Merkel and Macron know that they need each other and that EU reforms will not be possible unless they join forces – this is ultimately what led to the Meseberg Declaration. But valuable time was lost, and both are aware that levels of trust on either side of the Rhine are not very high. They also know that there is strong opposition to a further deepening of European cooperation even within their ranks and in some parts of the electorate. It remains to be seen how united they will be in the decisive months to come, but without them pushing in the same direction, nothing will move at EU level.

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### **The most obstructive political players are in an outright ‘destructive mood’.**

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Despite all these difficulties, there is still some hope, which – as we know – dies last. Even though the EU27 have been unable to overcome their differences at the June European Council, there is no reason to despair. The experience of recent years points in a different direction. In spite of all the turmoil since 2008, the EU has been remarkably resilient in the face of the many forces of disintegration fuelled by Europe’s poly-crisis. Many prophets of doom have repeatedly predicted the Union’s imminent collapse, and they have repeatedly



been proved wrong. The EU'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, increasing interdependence among member states (especially among those who share the same currency), the deep and complex historical, political, economic, and societal ties that bind member states and citizens, have all made it extremely difficult to fundamentally risk or even abandon the European project. Most people believe the 'costs of non-Europe' would be very high and a clear majority of citizens want their country to remain in the EU and the euro – and their numbers have grown since the Brexit vote. Nobody wants to move towards a cliff edge without a parachute.

However, more and more people have turned their backs on the EU during the poly-crisis because of their dissatisfaction with the current state of the Union. They understand the value of European integration and cooperation but deplore what the EU has become. Although public support for the EU has risen in recent years, many in Europe still believe that the Union has not been 'part of the solution' but rather 'part of the problem' in the recent spate of crises. Even if the reality is more complicated, perceptions matter very much.

This is why the EU must deliver to regain public confidence (among both 'ordinary' citizens and elites) in the added value of European cooperation. This is why the EU27 must continue working on an ambitious but realistic package deal, even if the June Summit revealed how difficult it is to reach the required compromises.

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**Even though the EU27 have been unable to overcome their differences at the June European Council, there is no reason to despair.**

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Huge doubts remain over whether member states will be able to agree on a set of substantial reforms before the current window of opportunity will close at the end of 2018. But one thing seems certain: the EU is bound to pay a high price if it is unable to make progress, opts for further delay and continues to muddle through.

Three things are inevitable if the EU27 fail to exploit the current window of opportunity:

- ▶ **First: increased fragmentation and distrust among member states:** The inability to agree to effective responses in the framework of a convincing package deal will further enhance the divisions between EU countries. This will not only affect political elites in national capitals but also societies as a whole. We have already witnessed 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. This blame game will increase if the EU and its members are not able to live up to citizens' expectations. Mutual accusations of a lack of solidarity have already deepened the divisions in Europe, and they would grow if the EU27 fail to make progress. Higher levels of fragmentation and distrust between EU countries will also negatively affect or even preclude the Union's ability to exploit future windows of opportunity to improve EU policies and Europe's institutional construction. What happens today will be felt tomorrow.

- ▶ **Second: insufficient defences to face future storms:** The poly-crisis is no longer making headlines. The EU and its members have, in the past decade, achieved things that would have been unfeasible before 2008. Nevertheless, the Union has not yet been able to make itself 'future-proof'. New storms will come, even if we do not know when, where and how they will hit us. If the EU27 cannot exploit the current window of opportunity, they run the risk that the Union's defences will not be strong enough to weather future turbulence. We should learn from our recent past and follow the lessons we were collectively taught: the experience of the poly-crisis has clearly shown that European cooperation is not an ideology but rather a necessity in an interdependent world in which individual countries cannot defend their values, interests and aspirations alone.
- ▶ **Third: a further strengthening of illiberal 'anti-forces':** A lack of political will, courage, determination and leadership will play into the hands of anti-EU, anti-euro, anti-migration, and anti-liberal forces. The 'anti-forces' will cheer if the EU27 put off difficult decisions. If they cannot push things forward before May 2019, those who want to push our societies in a different direction will profit, attracting even more support from disillusioned citizens, further strengthening their position at EU and national level and increasing the danger of a more regressive, nationalistic and closed Europe. The political forces pushing in this direction are bound to gain support at next year's European elections if those seeking to defend liberal values and pluralist societies cannot table a convincing narrative about Europe's on the basis of concrete results and credible objectives. That is why failure to exploit the current window of opportunity would not only affect the EU but go much deeper and further, challenge the pillars of our open liberal democracies and increase the polarisation of our societies, which is the fertile ground on which extremists and authoritarian populist thrive. There is no time to waste.





## MISSION STATEMENT

The **European Policy Centre** is an independent, not-for-profit think tank dedicated to fostering European integration through analysis and debate, supporting and challenging European decision-makers at all levels to make informed decisions based on sound evidence and analysis, and providing a platform for engaging partners, stakeholders and citizens in EU policymaking and in the debate about the future of Europe.

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